

3 undleno.9

52
am 56, m43
m43.168
164 807

1843

The Economist

FOUNDED 1843

JULY 4, 1953



Distributing the Load

Lessons from Mr Rhee

Italy and its Allies

What Goes into Coming Out

Factors in Gilt-Edged

Shape of Screens to Come

AMERICAN SURVEY: Breaking Mr Reed

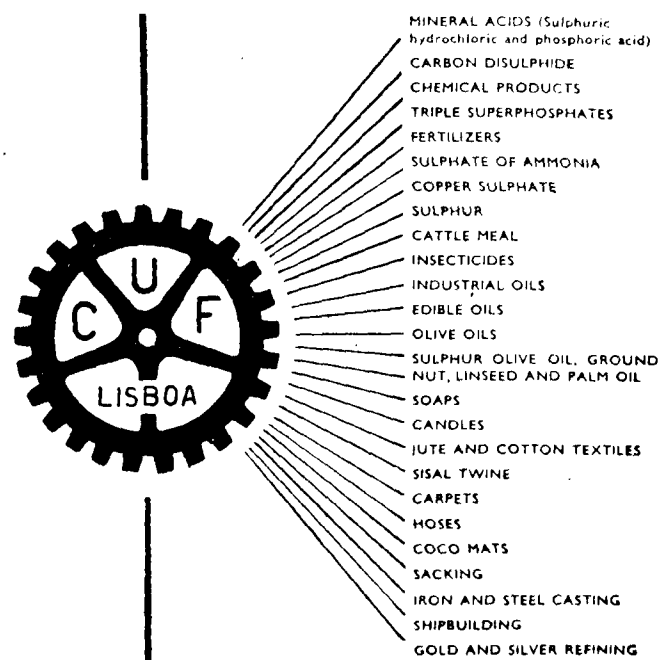
THE WORLD OVERSEAS: Canada's Election Prospects

BOOKS: The Practice of Voting

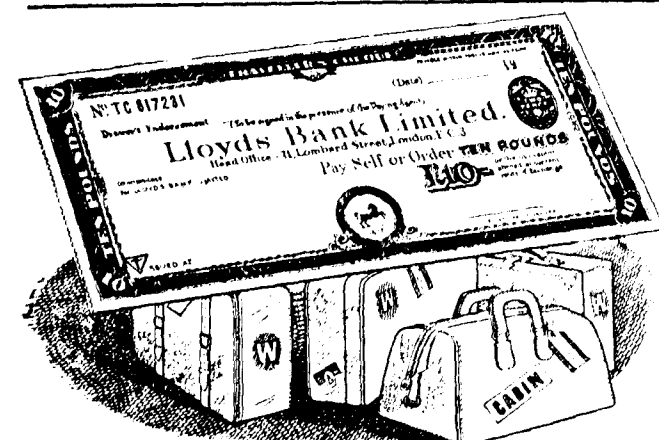
THE ECONOMIST • 22 RYDER STREET • ST. JAMES'S • LONDON • S.W.1

ANNUAL POSTAL SUBSCRIPTION £3 • VOLUME CLXVIII. NUMBER 5732

COMPANHIA UNIAO FABRIL



THE LARGEST COMMERCIAL AND INDUSTRIAL ORGANIZATION OF THE PENINSULA
LISBON — Rua do Comércio, 49 **PORTO** — Rua Sá da Bandeira, 86



**For carefree travel
at home or abroad**

WORLD LETTERS OF CREDIT • TRAVELLERS' CHEQUES
FOREIGN MONEY • PASSPORTS OBTAINED

Let LLOYDS BANK
look after your interests



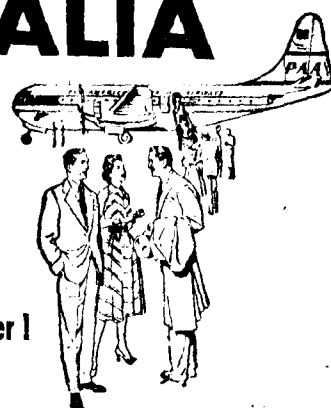
*"I'm glad I bought you a
VANTELLA shirt"*

To match every Vantella shirt are two ever
smart, ever comfortable VAN HEUSEN collars,
unshrinkable like the VAN HEUSEN neckband,
long lasting like the VAN HEUSEN cuffs.
Tailored in coat style. *Reduced price 46/-*

Pattern card available from: COTELLA, OXFORD STREET, W.1

AUSTRALIA

Improved business
prospects—
get there first in
a Pan American Clipper!



With the prospect of improved trading with Australia, now is the time to get out there quickly to present your proposition.

Your time is valuable—so you'll be interested in Pan American's 34-day Clipper* service—the fastest there is.

You fly via the U.S.A. This PAA way there are fewer documentation and health requirements, and there are liberal stopover facilities. So if you also have business in an American city en route, kill two birds with one stone. Or, if you can spare the time, spend a day or two beside the surf on a Pacific Island!

Meals, cigarettes and bar service are complimentary on Pan American first-class flights. Berths and Sleepette* service with fully reclining seats are available over the Atlantic, free over the Pacific. There's a similar service to New Zealand.

Consult your Travel Agent, or Pan American, 193/4 Piccadilly, London, W.1 (Telephone REgent 7292) and at Prestwick Airport, Ayrshire (Telephone Prestwick 7272 ext. 402).



PAN AMERICAN World's Most Experienced Airline

*Trade Mark, Pan American World Airways, Inc.

The Economist

FOUNDED 1843

JULY 4, 1953

ONE SHILLING

Distributing the Load	1
Lessons from Mr Rhee	3
Italy and its Allies	4
What Goes into Coming Out	6

NOTES OF THE WEEK

Washington and Bermuda; M. Laniel the Concierge; Moscow Denies Rumours; The Swing Goes On; The State of Business; Farm Workers First; Post-Mortems in Eastern Germany; Hungry China; Hongkong Watches and Waits; Schools Debated; The Unrationed Ration; Changes at the Treasury; Ministerial Merger; Political Progress in Turkey; Getting the KMT Out of Burma; Money for the Colonies; Brave New Towns; Capital Punishment on Trial.

LETTERS TO THE EDITOR	17
BOOKS AND PUBLICATIONS	18

AMERICAN SURVEY

Breaking Mr Reed	23
Frozen Asset	24
More Room for Credit; Civilian Command; The Bookworm Turns; New Men for Old Jobs; The Postman Knocks Again.	

THE WORLD OVERSEAS

Canada's Election Prospects	31
The Modern Slavers; Retrospect on Ho Chi Minh; Further Outlook in Nigeria; Land Reform in Yugoslavia; Cabinet Crisis in Finland.	

THE BUSINESS WORLD

Factors in Gilt-Edged	39
Shape of Screens to Come	41

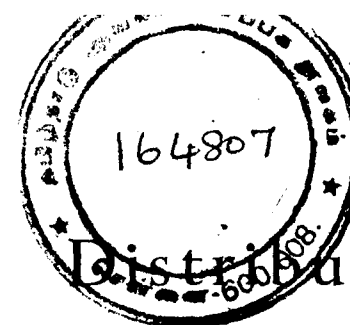
BUSINESS NOTES

More Gold Gained; First Quarter's Deficit; The Coal Horoscope; The Princess Victoria Report; Equalising the Rate Burden; Teeth for the Merchandise Marks Act?; Cheaper Aluminium; Herrings for Russia; Rayon Staple Price Cut; Passengers by Helicopter; Production Makes Good; Towards a Tin Agreement?; Forecast for Fats; Good Year for Wool; Research in America; Freight Markets Quiet; Shorter Notes.	44
---	----

COMPANY NOTES AND SECURITY PRICES

STATISTICS	59
----------------------	----

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.



Distributing the Load

SIR WINSTON CHURCHILL'S enforced rest has drawn the sympathy and concern of the Western world. That is the measure both of what he has done before and of the dominating position among statesmen that is his now more than ever before. Of no other man can it be so genuinely said that the wishes for his complete recovery are universal and heartfelt. And this has a corollary. Of no other man is it so important to consider how the gap may be filled if he should prove unable, at 78, to resume the carrying of far more than an ordinary Prime Minister's burden, which he has done at so many times in the past and has been doing particularly since Mr Eden fell ill in April.

In this light, the arrangements that have been made for the conduct of government during the Prime Minister's rest are unsatisfactory. Lord Salisbury, who is now acting Foreign Secretary, is outstanding in experience and ability, but no man whose rank is temporary and acting can carry quite the authority in diplomacy that these times require; nor can his decisions be as quick and precise as those of a man confident of his party's willingness to follow his leadership. For a month these things may not matter, or they may be severely damaging; no one can tell. The arrangement for home affairs is also risky. The burden of cabinet chairmanship and general responsibility now falls on the Chancellor of the Exchequer, the minister who above all others is already fully occupied not merely with departmental duties in the ordinary sense but with the general oversight of economic policy.

No doubt Mr Butler and the existing ministers can manage well enough, with reasonable luck and against a not very forceful Opposition, during the remaining three or four weeks before the parliamentary recess. But it is rash to rely on quiet times. Any setback would quickly expose the Government's limitations, particularly in the House of Commons. There Mr Crookshank is the only minister without heavy departmental duties. He is able and amiable, but he lacks the authority proper to the Leader of the House of Commons when the Prime Minister is absent. For all the abilities that some Conservative ministers have shown, and despite the Government's access of confidence in recent months, the lack of a clear guiding hand on domestic policy is still apparent; it has, indeed, been more noticeable since the Prime Minister became so immersed in foreign affairs. This is not a problem merely while Parliament is sitting. Between now and October the Government has to prepare a new policy: either a set of measures to put before the next session of Parliament, or a programme on which to appeal to the country for a new mandate. The issues involved—such things as rent control and agricultural policy—are complex, and the programme will not be balanced and decisive unless all the Government's resources for general policymaking are fully mobilised for the task.

At the best, that will be difficult. Even if the Prime Minister is restored to his full energy by one month's rest, he will no doubt again

7L
Xm56, M43
M42, 16R

concern himself chiefly with foreign policy. Mr Eden's return cannot be earlier than the autumn; and he will then be handicapped by having missed six months of great diplomatic movement. To leave things to an acting Foreign Secretary in the meantime would be to waste, both now and at the handing-back to Mr Eden in the autumn, those intangible results of personal contact by which the Prime Minister rightly sets so much store. Such repeated changes in the active control of foreign policy could hardly fail to weaken British influence.

There are, therefore, serious weaknesses in the present arrangement even on the most optimistic assumptions about the recovery of both Sir Winston and Mr Eden. And while everyone wants to make those assumptions, to rely completely on both would be an unjustified risk. Harsh though it may sound, the painful precedent of Mr Bevin makes it necessary to point out the importance of organising the Cabinet according to actualities, not according to prospects however hopeful and well founded. It is also worth remembering that last year was the first since the war without a major crisis, diplomatic or economic, in the August-September period. The Government as it is at present constituted is in no shape to weather the sort of storms that shook its predecessor with such distressing regularity.

★

The best way of guarding a little against these difficulties and dangers seems clear. It is, indeed, to do now what could with advantage have been done before ill health complicated matters. It is to appoint a new Foreign Secretary, not an acting one, in order that Mr Eden, when he returns, may be Leader of the House of Commons and deputy Prime Minister in fact as well as in name. This arrangement could be made now because it would be appropriate whether or not Mr Eden returns in full vigour. The relief to the heavy burdens on the Prime Minister would be valuable however good the health of both men. The need for some devolution of authority in home affairs was apparent a year ago. Since then, the Prime Minister's own pre-occupation with foreign affairs has increased, while the difficulties on home policy could easily recur. The spheres of Mr Eden's responsibility would have, indeed, to be clearly defined, so that Sir Winston and he and the Chancellor all knew where they were. But it is easy to see spheres that need filling. For example, the present row about schools is a useful reminder that, with Mr Butler absorbed by economic affairs, the Government lacks anyone who can look at the social services in broad perspective.

At the Foreign Office, four senior ministers are possible successors to Mr Eden: Lord Salisbury, Sir David Maxwell Fyfe, Sir Walter Monckton and Mr Macmillan. Of these, Lord Salisbury is undoubtedly best qualified by knowledge, experience and ability in foreign affairs. The right course for the Prime Minister would be the easy one of appointing him to the post

in which he is now acting. That would, admittedly, encounter criticism. Lord Salisbury's pronouncements on Abadan and on China were too vigorous for Labour, and he a peer. The Foreign Secretaryship is perhaps the one office where the Opposition's feelings deserve a Prime Minister's consideration; and, other things being equal, it is obviously better for the Foreign Secretary to be in the House of Commons. In this case, other things are definitely not equal. Moreover, the main disadvantage of Lord Salisbury's peerage is offset by the competence of both Sir Winston and Mr Eden to speak in the main debates on foreign policy, while Mr Selwyn Lloyd is well equipped to handle ordinary Foreign Office business in the House of Commons. It is egalitarian topsy-turvydom run mad if a man is to be barred from all the most important offices of state, irrespective of his merit, solely because peers are not allowed to be elected to the Commons. The Foreign Secretary is so heavily occupied with his department that his attendance in Parliament must in any event be irregular. Everyone agrees that the Prime Minister and the Chancellor of the Exchequer cannot be peers, but there is no need to extend the rule to the Foreign Secretary, particularly when spokesmanship on foreign affairs can be so well provided by others in the House of Commons.

The appointment of Lord Salisbury as Foreign Secretary would end much uncertainty abroad and give him the authority to redevelop foreign policy with, no doubt, the Prime Minister's guidance. It would, of course, go only a little way to meet the problems that will arise if the ill health of either Sir Winston or Mr Eden is more prolonged than their doctors hope. But it is an important permanent step that can advantageously be taken at once, without waiting for firmer medical reports. Indeed, whether the choice is Lord Salisbury or another, the appointment of a new Foreign Secretary should not be delayed. The Government would then stand ready to deal promptly with whatever issues the next few months may bring; the dislocation in foreign affairs would be kept to a minimum. The translation of Mr Eden to home affairs would also fit into a beneficial pattern, whether his recovery is fast or slow. All being well, he could by the autumn relieve the Prime Minister of much irksome business and, with his high prestige in the country, give a fresh and authoritative leadership to his party in Parliament.

For the rest, there are many less urgent ministerial changes that could well follow as soon as the Prime Minister is strong enough to deal with them. He can act in the knowledge that, considerations of health apart, questioning of his own position as leader of the Conservative party is now more remote than at any time since 1945. But this enforced rest indicates clearly on what conditions—husbanding his resources for the things he does supremely well—Sir Winston can go on leading in his ninth decade; to fit the disposition of his lieutenants to those conditions is the first act of leadership.

Lessons from Mr Rhee

IN contriving the escape of North Korean prisoners, President Syngman Rhee undoubtedly violated his own given pledge that placed the South Korean army under the United Nations Command. But that pledge was given only for the duration of the fighting in Korea. If, after an armistice, Mr Rhee were to withdraw his forces from the Command or otherwise disrupt the process of settlement, what precisely would he be violating?

Whatever else Mr Rhee may achieve—or destroy—by his present course of action, he has at least placed squarely before the world an issue on which the whole future of the present experiment in collective security may depend, but which has hitherto been completely ignored. The issue is this. When a dozen nations or more unite to carry out their freely accepted task of rescuing a small country from aggression, what obligations does this action impose on the rescued? In particular, have the rescuers any redress if the small country in turn disturbs the peace?

It may be objected that the problem is not wholly new. History can show many examples of the embarrassment that a brash protégé can cause to the powers that had supported or even created it—from the time, over two thousand years ago, when an obscure oriental client of Rome goaded Mithradates into an onslaught that rocked the civilised world, to Poland's unexpected occupation of Vilna in 1920. But the development both of international organisation and of international attitudes has brought about a basic change. In the nineteenth century, Napoleon III could, and did, instantly withdraw his support from his Italian protégés when they looked like drawing France too deeply into their quarrel with Austria. Tsarist Russia could inflate and deflate Bulgaria like a balloon to suit the needs of the moment. But today the world has come to accept, generally speaking, the thesis that aggression should be opposed from the moment it begins. The modern feeling that there is an international duty to aid the victim of any aggression has been roughly codified, first in the Covenant of the League and then in the UN Charter, and has found effective expression for the first time in Korea.

In theory, this is not a one-sided assumption of responsibility. If other things were equal, the UN Charter would amount to a pledge of "all for one and one for all"; it would be an insurance scheme whose benefits to a particularly hard-hit victim would be offset by his regular contributions to it. But other things are not equal. In the first place, a clear distinction is becoming visible between those nations that are not prepared to shoulder even a corner of the burden of joint resistance, and those that are expected to take up this burden as a matter of course. The non-Communist great powers in particular are commonly

regarded as bound, on the one hand, to shed their blood in the defence of any invaded country, however remote, on the other to bow to the criticisms of nations that prudently stand aside from the struggle. The frictions created by this atmosphere are real ones, and it is from them that originate such proposals as those lately made by Senator Taft.

★

The second discrepancy, however, is more immediately relevant. When America and its allies mustered under the banner of the United Nations to help defend South Korea, they did not take the opportunity of binding that small republic to accept and execute UN decisions thenceforward. In the bad old days of naked power politics, it was normal for a great nation to name, in advance, a stiff price for its aid to a weaker neighbour. (The custom is still observed by Soviet Russia.) But the founders of the United Nations abhorred any such thoughts. They sought to establish the principle that any victim of aggression should be defended without fee, arguing that its defence was in fact an interest of all nations. In so doing, however, they wholly neglected the need to impose on the assisted country any restraints that might ease the labours of its rescuers.

Action such as that threatened by President Rhee was, indeed, never faintly conceived at San Francisco in 1945, or in earlier debates on the creation of world institutions for the defence of peace. It was taken for granted that the maiden, once rescued from the dragon, would kiss the knight's feet and follow him home quietly. So the UN Charter, while emphasising the moral and constitutional duty of member states to unite for the defence of any invaded country, lays no corresponding obligations on the victim.

Yet the difficulty might well have been foreseen. After all, Mr Rhee is not a unique human specimen. On the contrary, he is almost purely typical of one of the most widespread of modern political phenomena—nationalism so intense as to pass all the boundaries of reason. This febrile emotion is not only common to most of the many small, newly sovereign nations of the contemporary world; it is also to be found in the most ancient of states and in every continent. In the international forum, it has expressed itself repeatedly in two contradictory forms. On the one hand, it is claimed that organisations such as Uno must secure for the smaller nations the rights which they regard as naturally and inalienably theirs; on the other, the same nations assert an equally absolute right to reject the rulings of international tribunals. An analysis of the records of the UN Assembly and the International Court—both bodies on which the smaller nations are in a majority—shows that the non-Communist great

powers have accepted unwelcome decisions by these organs far more rapidly than have the smaller nations concerned. One has only to think of Persia and Israel.

The belief persists, however, that the great powers are the worst offenders against international morality and the gravest threat to peace. Mr Rhee may, therefore, have done the world some service by revealing how this belief over-simplifies the truth. It is to be hoped that his actions will be well pondered by other governments, not least in Asia; for the South Korean president has, in fact, merely carried to their illogical extreme the doctrines which many other small nations practise less blatantly. Will those nations now come

Italy and its Allies

IT is just as well that there is a lull in the cold war at this moment. With Britain in the temporary charge of an acting Prime Minister and an acting Foreign Secretary, with France barely through its worst parliamentary crisis since the war, with Dr Adenauer approaching a critical general election in the autumn, and with Signor De Gasperi at the end of his most effective period of government, this is hardly a promising time for high decision. When President Eisenhower surveys the scene from across the Atlantic the ranks of his allies in Western Europe must indeed appear in unusual disarray.

A pause between major decisions, however, is a good moment for stocktaking, and it is in Italy that some of the freshest and most useful lessons may be drawn from recent events. For the Italian general elections of 1953 came so close to being a disaster that they can be ignored only at peril to the western cause. The narrowness of the margin in Italy between the present uncertainties and the situation that would have developed if the Centre had dropped still more votes has certainly not been generally appreciated. The reason is partly that, since no one expected the Communists and their allies actually to win and since the extreme Right did not in fact make as many gains as the gloomier prophets had foretold, the results have not been entirely unexpected or unwelcome. Yet, in fact, the friends of the West in Italy had a close shave and, if worse is not to follow in the future, the causes should be understood. Why did Signor De Gasperi's government so narrowly escape disaster? Why, when Italy is relatively more prosperous than it has ever been, did a record number of people vote Communist? Why has the comparative success of political democracy led to a greater vote against it, on Left and Right, than any since the war? These are very disturbing questions. For on the answers to them must depend the validity of the more comfortable assumptions with which the West as a whole has been meeting the Communist challenge.

Some of the explanations spring from factors internal to Italy; others depend directly on the impact of

THE ECONOMIST, JULY 4, 1953

to recognise, in the fiery irresponsibility of Mr Rhee, a sharpened reflection of their own image? Some of them are now among his strongest critics. Perhaps it is too much to expect that they will learn from him the lesson that small nations have as full a share of responsibility for the maintenance of world order as have the great powers. But if they do not, they will continue to endanger the success of the whole contemporary experiment in the strengthening of world order, an enterprise to which some of them owe their very existence. If it collapses, the great powers will not be the only ones to blame. That is the real lesson that should be learnt from Mr Rhee.

external affairs. In the domestic field, the government had to combat four special mental attitudes, and it lost ground because it failed to do so with full success. There was the natural swing against any administration which had been in office for five years. There was disgust at the attempt to "rig the elections" by means of the new electoral law. There was a lack of any real sense of urgency in the campaign against Communism. And there was the fact that the government's own policies had created a feeling of political relaxation and economic well-being such as Italians had not known for at least a generation. The swing against the government and the feeling of well-being are in a sense mutually contradictory, yet both had their effect. The disgust at the new electoral law sprang in part from the failure to recognise the surprising strength of the Communists; when it came to the poll, they and the Left-wing Socialists under Signor Nenni gained an extra 1½ million votes.

★

These gains were surprising in view of Italy's relative prosperity. It is true that no country can really be called prosperous when it has a hard core of two million unemployed, when its natural resources are too limited to raise its standard of living without the investment of capital on a scale which Italy is a very long way from being able to afford, and when there still exists an industrial psychology traditionally based on high prices and a small market. But by the standards of its own recent past Italy is undoubtedly prosperous. Real wages are higher than they have ever been, both internal and external trade is flowing at a comparatively high level, and progress on the programmes of land reform and development in the south is such as to put the whole much-vaunted Fascist era in the shade.

The Communists' electoral gains in these circumstances have been widely interpreted as a serious defeat for American policy. If that policy is regarded as consisting entirely of supplying economic aid without

THE ECONOMIST, JULY 4, 1953

regard to the political, moral and social facts of a nation's life, that is a correct enough interpretation. But there is, or there should be, more in the West's policy of mutual aid than mere calculations of political and military gain; it would in any case be unfair to say that America has done no more than apply economic aid in a spirit of cynicism and it would be a mistake to assume that, since Communism feeds on misery, simply to remove misery is to banish Communism. As the Italian election results once more prove, Moscow has many other strings to its bow besides economic discontent, and to ignore this fact is seriously to under-rate the adversary. Obviously the Communist appeal is potentially stronger when people are hungry, cold and desperate; but to make them better off is only a first—though necessary—step. Indeed, it should be remembered what would have happened in Italy if there had been no such thing as Marshall Aid. Rome would probably be in Malenkov's hands today. The rise in real wages, the liberalisation of trade, the beginnings of a changing mentality among industrialists, and certainly that half of the southern development programme which is financed out of counterpart funds—all these are the direct outcome of American help.

On the other hand, that help has clearly not been enough to swing the country behind a new government of the same type as the old. What else went wrong? Can the rest of the Atlantic community do anything to try to see that past mistakes are corrected? Three other factors contributed to the relatively low poll for Signor De Gasperi. Sir Winston Churchill's speech on May 11th undoubtedly played its part. By suggesting talks with the Russians he gave a boost to the idea that the crisis with Communism had passed its peak, and that there was, therefore, no longer an overriding need to vote against the Italian Communist party; some people even went so far as to feel that there was no longer any reason why they should not vote for the Communists. Then, there was the unwise speech made in Milan by the new American ambassador, Mrs Claire Luce. She gave Italians to understand that, if they did not vote for the government, the United States would have to reconsider its policy of aid to Italy. Naturally this was taken as open American interference in the country's internal politics, and was widely exploited by those in the opposition who have long been saying that Italy has become a mere American colony.

Lastly, votes were lost to the Right for reasons of frustrated nationalism. The leaders of the neo-Fascist and Monarchist parties did all they could to make Italians resent the unwillingness of their western allies to give them more support over Trieste. And they rubbed home the impression that the Italian voice is still not heard at the inner councils of the Atlantic community. To prove that it is being "ignored," they quoted time and time again the fact that Italy was not even mentioned in Sir Winston Churchill's far-ranging speech.

These factors cannot be dismissed as of no significance. Put at its lowest, the value of Italy's contribution to the western cause is negative. Until the quarrel with Yugoslavia is settled, the Italians can play only a minor role in promoting a wider system of co-ordinated defence. But it is only necessary to imagine Italy on the other side of the iron curtain to see at once how vital it is to do everything possible to prevent such a thing happening. Although the Italian peninsula lies outside the obvious central axis of a military front between western and Communist forces in Germany and Northern Europe, it does occupy a crucial strategic position astride the Mediterranean, as the war against Mussolini showed.

Even to state such possibilities is to throw fresh light on the way in which Italy's place as an integral part of the western community is normally taken too much for granted. Just as Rome is the place to which millions of Europe's Catholics look for their spiritual guidance and leadership, so is Italy the source of too much in the European cultural heritage to be written off as merely expendable. If it were lost to Communism at this or any future stage, the West as a whole would have sustained a political, military and psychological blow which might well turn the scales in the rest of Europe.

★

This truth is all too often ignored. Once it is accepted, two of the main lessons of the recent Italian elections stand out with greater clarity. They affect the very principles on which relations between members of the Atlantic community have been built up. No policy based merely on the cold-blooded interchange of purely economic and military aid is any longer sufficient. While it is far too early to jump to the opposite extreme and expect European federation in the early future, there is already enough sense of common destiny to make a positive sympathy between peoples essential to the proper working of the alliance. But this closer relationship is impossible if it is based on any idea that one country can dictate to another how to run its own affairs. The partnership must be as equal as it must be free. Admittedly, some western states are stronger than others, and all are to some extent dependent on the military and industrial strength of the United States. But it is just as much the task of statesmanship to reconcile these difficulties as to build on political realities. In terms of history, immense progress has been made in creating the Atlantic community since General Marshall made his famous speech at Harvard six years ago. If this progress is to be maintained, a country like Italy must be drawn even closer into the central web of nations and, what is more, it must be made to feel that it wants to be drawn in. Otherwise, as the elections have shown, it will slide down the slippery slope towards either Left or Right extremism. That is something which the West should know by now that it cannot afford.

What Goes into Coming Out

THE London season, now drawing to its close, has launched a record number of débutantes into Society. At the two presentation garden parties in May and at Holyrood last week some 1,500 girls in all made their curtsies to the Queen—an unusually high number because of a preference for coming out in Coronation Year. Even in a normal year, however, the number of girls seeking to be presented, far from declining, is if anything increasing. In one sense this runs counter to the general egalitarian trend. But the compass of the Court has been widened to include social strata which—unless they could gain entry by means of great wealth or achievement—were once far removed from it. The setting of the London season is no longer the town houses which were formerly opened up every season by members of a more or less closed circle. Entertaining is now done in hotels or in houses hired for the occasion; and many of the débutantes are living in furnished flats rented for a single season.

In contrast to the large number of women who still come to Court, the custom of presentation for men has died out. The last *levée* was held in 1939 and there is no sign of another. This is partly due to practical difficulties; few men can afford court dress, and the numbers who have qualified to attend *levées* might be unwieldy after all this time. But the main reason is no doubt that for men the advantages of presentation have disappeared. From the point of view of prestige, even for the girls, these advantages are not so obvious as they were. Presentation used to be indispensable for a certain kind of life. Without it one was not asked to Government Houses in the colonies, nor could one take part in the life of foreign courts. Today it is a memorable occasion that is an end in itself. But it is the usual accompaniment of “coming out”—and the purpose of coming out and of doing a season is the same as it always was.

To the girls coming out is just a part of growing up: to some a glorious time that ends the drudgery of schooldays, to others a rigidly disciplined ordeal that must be faced in spite of shyness and other natural disadvantages. To their mothers, however, now as always, it is an expensive investment which, it is hoped, will result in a suitable match. But, alas, if the nature of the investment is unchanged, the returns are not what they were. The young men are not so rich; the town property, if any, is a two-roomed flat, and crowds flock round the country estate on Saturdays and Sundays at 2s. 6d. a head. Sometimes, of course, that does not matter; what better use of newly earned millions than to refurbish an ancient and impoverished title? But most young men do not want to saddle themselves with the financial burden of marriage before they are about twenty-three, by which time many tire of coming-out dances.

If the returns of coming out are not what they were, the outlay is greatly increased. There is some saving on the white court dress and three feathers that used to be worn at the evening presentation parties before the war; the garden party dress of today comes in again for Ascot or for summer cocktail parties. On the rest of the clothes needed for a season one can obviously spend little or much. But since she has to charm the same people night after night, a girl who does the season thoroughly needs at least ten evening dresses. She may buy these from a couturier at 200 guineas apiece or off the peg at 15 guineas apiece, or she may even—if she has enough skill and confidence—run them up herself.

★

It is less easy to economise over the entertaining. Broadly speaking, a mother who wants her daughter to be asked to dances must give a dance herself, or at least a party of some sort. She may in the interests of economy give only a cocktail party—a new development since the war—and this will pass muster. But the number of invitations her daughter receives is likely to correspond roughly to the number of other people's daughters she herself entertains. A favourite measure of economy is for two hostesses to give a joint dance for their daughters or protégées. Even so, the bill is fairly prodigious. A well-known hotel at which many of these dances are given charges 25s. a head, excluding the champagne, of which at least half a bottle a head must be allowed. A good band of five to ten players charges about 10 guineas each player for a five-hour dance, with rising rates for a longer one; the flowers might cost £10 to £20; tips perhaps £20. A dance for 400 guests would thus cost £1,000 or more.

The hostess, however, is not the only person for whom the evening is expensive; for she will call on the mothers of many of her guests to give dinner parties before her dance. This is how the young men are provided. Each hostess will be asked to give dinner to anything from three to a dozen débutantes, and it will be her duty to pair them off with young men. Mental strain is added to the financial burden if on arrival the young men prove faithless and leave her with a bunch of wallflowers on her hands.

Not all the men, however, will be found in this way. The hostesses will ask all those with whom they or their friends are even remotely acquainted, and there is in existence a “Boys List,” which is passed around. Young men can be inscribed on it on application, if they are approved as suitable. At the beginning of the century the test of eligibility, social and financial, was severe, but present-day hostesses gratefully exercise wide latitude. The young men who qualify enjoy free entertainment every evening during the summer, yet

THE ECONOMIST, JULY 4, 1953

even they did better before the war. Then there were two or three dances every night during the season. Now it is bad luck if two dances fall on the same night.

The dates of dances and cocktail parties are arranged some two months before the opening of the season (on the first Friday in May) at what are called “Mums’ luncheons.” A mother who is launching a daughter will get in touch with another, and so a party of mothers gathers together. They discover discreetly what other mothers are offering, bring out their diaries, and arrange the dates of dances and cocktail parties. So the season's list of engagements is built up.

But what of the mother who knows no one to ask her to a “Mums’ luncheon,” who wants her daughter to be presented but has never been to Court herself? She may have a relative who will help if the expenses are quietly shouldered behind the scenes. Or at worst she can approach one of the ladies who turn an honest penny by sponsoring girls through the London season. The size of the penny varies according to the rank of the sponsor and the facilities that she offers. If she takes a house or flat for the purpose it will obviously cost a great deal; but at the least she will probably receive a four-figure sum, excluding the expense of giving the dance and parties, and any other costs that she may charge for, such as her own clothes.

This practice is not new, but it is on the increase. It is, of course, a reflection both of the impoverishment of the upper classes and of the social ambition of others. The payment of fees does not seem to harm

the débutante. The other girls may say of her sponsor “She’s a pro.” But it does not prevent them from attending her dance or from asking her to theirs. Nor is anything done to prevent the practice. The Lord Chamberlain would blacklist a woman who was known to make money out of presenting girls to the Queen; but she has only to say that it is for her sponsorship during the season that she is paid. The association between the two is, however, close enough for the prestige of presentation to be damaged if this commercial element continues to grow.

The readiness to spend ever-rising sums on a daughter's coming out is an interesting sidelight on what parents regard as the best education that money can buy. It runs quite counter to the evolution of middle-class thought about women's education. Middle-class daughters think in terms of a university or professional training and a worthy job at a modest salary; not for them the outdated horrors of the marriage market. But, once the parents are well off, the marriage market seems to lose its terrors and an academic education loses its charms. A finishing school curriculum designed to give social grace and a good patten seems more desirable than any number of General Certificates. There may be a sad coming down to earth at the end of the season. Some of the girls will have lost their heads and some their hearts; a few will have found husbands; and many parents will have spent more money than they could afford. Let us hope that they will all still think that it was worth while.

Notes of the Week

Washington and Bermuda

FROM one point of view it is most unfortunate that the Bermuda conference has to be postponed. The impetus that Sir Winston Churchill has given to western policy in the cold war could be like that given to a cornice of snow by an incautious shout; it could cause an avalanche that would sweep away much that has been achieved with so much toil and sweat. The effort and solidarity of the western allies were already loosening in the spring; now the prospect of summer holidays and of legislatures in recess is also having a relaxing effect. The delay in bringing together the American President, the British Prime Minister and the representatives of France may enhance it.

From another point of view the postponement is welcome. It gives time to mend the mischief done in Korea, to estimate more carefully the strong and weak points of Russia—Senator Wiley has been saying very foolish things on this point—and to attend to those details of allied policy

which are so vital to the French and German governments and can sometimes be obscured by Sir Winston's broad brush. It was a good idea to bring Mr Dulles, Lord Salisbury and M. Bidault together in Washington next week to discuss some of these details before their chiefs begin to talk grand strategy. The three allies must present a common front on major matters and not make uncoordinated responses to a variety of tactical moves by Moscow.

As a public sign that this is their intention it would be not out of place to invite Lord Ismay to Bermuda. As Secretary-General of Nato he represents, both personally and officially, the Atlantic point of view and the interests of eleven governments which cannot attend these meetings. There would be a subtle but important difference between decisions taken by the Big Three with such a representative present and decisions taken without him. A return to private and secret diplomacy is highly desirable at this stage but there is no reason why it should ignore the headquarters of the Atlantic alliance.

M. Laniel the Concierge

Now that M. Laniel has formed a cabinet, France is in the situation of having a right-of-centre government to deal with a national mood that is left of centre. It is felt increasingly, both in the National Assembly and in the country at large, that France must end the Indo-China war. No solution by military victory is in sight, and even the prospect of further American aid is not sufficient to satisfy those Frenchmen who feel that nothing can compensate for the price being paid in lives. In order to bring the maximum of attention and authority to bear on the Indo-China question, M. Laniel has abolished the ministry for the Associated States and has not included M. Letourneau, the occupant, in his government. Instead, it is expected that the Prime Minister himself, together with his political patron and guide, M. Reynaud, will submit to Washington and London a possible programme for negotiations about Indo-China within the framework of talks on Korea.

Although M. Laniel, together with most of his colleagues, is a stout conservative in economic affairs, he has entrusted the vital portfolio of the Ministry of Finances to M. Faure, a young Radical who is known to share many of M. Mendès-France's views. In return for these concessions to the left, however, M. Laniel has given three minor cabinet posts to ex-Gaullists. This means the real break-up of the Gaullist bloc, an increasing number of whom will gradually take part in centre coalitions. This will certainly prove an element of stability in parliament, but it will at the same time increase the cohesion and determination of the Left throughout the rest of the country.

This shift to the right in the assembly and the tendency towards leftist solutions in public opinion is a dominant fact in present French politics. It means that M. Laniel's government represents an essentially political and artificial response to something of a national crisis of conscience. As a result of this latest crisis, moreover, and of the fact that a number of new solutions have been rejected in order to return to the programme of the previous government, parliamentary democracy has been further discredited in the eyes of the public. It seems unlikely that the Laniel government will be more than a caretaking regime for the summer recess and until the autumn presidential elections. The ex-Gaullists will withdraw their support if M. Laniel presses the issue of EDC, and his colleagues on the right will do little to help M. Faure in bringing about a radical programme of financial reform. It looks therefore as if this will be a government of inaction, with the gap between the electorate and the Assembly still further widened.

Moscow Denies Rumours

To deny rumours of an impending devaluation is a routine task for Western finance ministers, but when the Soviet Minister of Finance, Arseni Zverev, makes his denial in the columns of the Soviet press he is breaking entirely new ground. In Stalin's day Zverev would not have worried about denials. For years it has been unthinkable not only that a minister should mention the existence of

THE ECONOMIST, JULY 4, 1953

doubts about the stability of the rouble, but that Russians should dare—except during the war—to express such fears. Indeed, under postwar legislation such whispering was liable to severe punishment as a "counter-revolutionary activity."

Soviet Russia's new leaders seem already to be gathering the harvest of their campaign of liberalisation. On the one hand, the amnesty and the stress laid in Soviet propaganda on the constitutional rights of the citizen have apparently encouraged Russians to speak more freely; on the other, a stream of articles about the need to do more for the consumer must have whetted the appetite of the public just at the time that the cut in retail prices increased its purchasing power.

It is possible only to guess what prompted the Finance Minister to give this official reassurance. The rush to buy that normally follows a price reduction must have been foreseen by the planners, but it may, this time, have grown to exceptional proportions. Suspicious shoppers, fearing that this all looked too good to last, may have bought ahead of their needs, so threatening a dangerous inflationary pressure. There was probably a risk that stocks of some commodities would run out. It is a sign of change in the Soviet Union that the Government takes such pains to avoid a situation in which customers would leave shops empty-handed. It is even more significant that in these circumstances Zverev did not strengthen but weakened the disinflationary weapon at his disposal by halving the size of the annual State loan.

The Swing Goes On

THE Abingdon by-election on Tuesday provided the Government with another remarkable success. Indeed, the evidence of its increased popularity is the strongest of all that has been provided by the series of by-election victories beginning with High Wycombe last autumn. The Conservative majority increased by almost a thousand, from 4,883 at the 1951 general election to 5,860 this week. Nothing can be said on the Labour side to lessen the significance of this movement. The previous Conservative member—Sir Ralph Glyn before his elevation to the House of Lords—enjoyed considerable personal popularity and had an independence of mind that must have recommended him to Liberals when, in 1951, they had no candidate of their own. It is therefore unusually safe to assume, despite the radical tradition in Berkshire, that Liberal intervention in the by-election drew at least as many votes from the Conservatives as from the Labour candidate. The new voters who have come into the constituency since 1951—the electorate is 1,400 bigger—were believed to represent an additional Labour force in a largely agricultural area. The Labour party was well pleased with the quality of its candidate, his campaign was supported by a large bevy of ex-ministers and MPs from both right and left wings of the party, and his organisation had considerable resources and great vigour.

Nevertheless, the swing of votes in the Government's favour was rather greater than that which captured Sunderland South from Labour six weeks ago. If the Liberal votes are ignored (they cannot have much affected the relative strengths of the other two parties), the Government

THE ECONOMIST, JULY 4, 1953

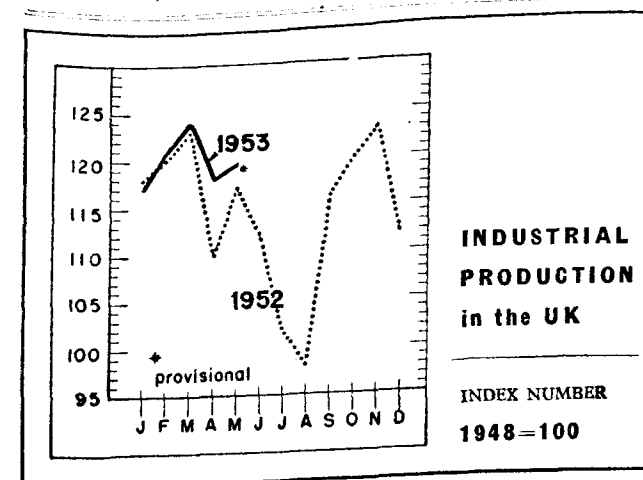
gained about 1½ per cent of the poll from Labour at Sunderland and nearly 2 per cent at Abingdon. On the national scale, such a swing, compared with the last general election, would give the Conservatives a handsome majority at Westminster, and the obvious moral will certainly be urged on the Prime Minister if he soon returns to Downing Street in good health.

For the Liberals, the result is once again distressing. The by-election poll was heavy—75 per cent of the electorate—but, as at Sunderland, the Liberal vote was only half that of the general election in 1950; at just over 3,000, it was 7 per cent of the poll, compared with 15 per cent in 1950 and 19 per cent in 1945.

The State of Business

HOWEVER weakened by illness, the Government can survey not only the state of public opinion but also its immediate parliamentary position with a satisfaction that would have seemed like bliss at this time a year ago. With the summer recess only a month away, it was then painfully clear that not one of the three important measures it had proposed could get even a second reading in the session of 1951-52. Worse, the Government was on the point of placing itself in the ridiculous position of having to apply the guillotine on the trivial Licensed Premises in New Towns Bill. But the lessons of that summer were taken to heart. Now, by the beginning of July, all the legislative measures mentioned in the Queen's Speech last autumn stand on the Statute Book.

This is not to say that the Government's timetable is so well advanced as to free Ministers from all concern. Suggestions that Parliament might rise at the end of the third week of July, instead of the fourth, now seem over-optimistic. It has become customary for Parliament to adjourn and not prorogue at the end of July, and this gives the Government a two-week "overspill" to play with in the autumn, before the start of the new session. But two or three of these days are already earmarked for overdue debates on the nationalised industries and, in any event, certain business must be transacted by early August. Between now and the adjournment for the recess the Government must find two days for the report stage of the Finance Bill, at least half a day for the third reading, eight



days to complete the 26 allotted Supply days, two days on the Appropriation Bill and one day on the Order in Council setting out the constitution for the Central African Federation. This adds up to 13½ days and yet takes no account of the time needed to complete the admittedly minor Bills still passing through the House. In addition, there is now the new Monopolies Bill which the Government introduced on Thursday. Although it is limited in scope, this Bill must require at least two or three days—though not necessarily before the recess. There are only 15 sitting days before the end of the third week in July, and 20 before the end of the fourth. But, particularly since the timetable was dislocated a little by various royal occasions, grave and gay, the Government will have done well to complete the programme by the beginning of August.

Farm Workers First

WAGE claims and awards nowadays fall into a definite annual pattern. This year, as in July last year, an increase for farm workers is the first turn of the spiral. The Agricultural Wages Board on Wednesday recommended a rise of seven shillings a week in the minimum wage (which means rather more in actual earnings). The surprising and disturbing thing is that this is bigger than the increase (of five shillings) granted last year, although the award then followed a sharp increase in the cost of living and this year it does not. If, as must be expected, the new award is confirmed at the end of the month, the farmers will no doubt apply promptly for a special increase in farm prices. That should be refused, as it was last year. If there is a case for higher farm wages at all, it must depend in present circumstances on increased efficiency and more mechanisation, not on making the consumer pay more. Such a case might, indeed, be made out, if the award to farm workers were going to be a special one. In fact, it is likely to be the beginning of a spiral that will leave the farm workers worse rather than better off compared with industrial workers.

The claims now pending have reached vast numbers. The shipbuilding and engineering unions, as usual, have got in the largest, for an increase of 15 per cent. The shopworkers are asking for 15s. The cotton workers—who, because of the slump, missed last year's round and had their last increase in September, 1951—are still asking for 10 per cent. The dockers are also asking for an increase, and claims are being formulated by workers in electricity supply, clothing, furniture and tobacco. The railwaymen will discuss a claim at their annual conference, and so, too, will the miners. Theirs may be the least justified of all, in view of the fall in productivity.

The size of these claims bears unusually little relation to the increase in the cost of living since the last round of wage advances. The award to the farm workers had been preceded by some less important examples of the size of the advances that may actually happen. The wages councils for the retail food and drapery trades have recommended increases of 6s. and 5s. 6d. respectively for men and 4s. 6d. for women, against the claim of 15s. But even a third of what the unions are asking can do great damage to the export prospects of many industries.

Post-Mortems in Eastern Germany

THROUGHOUT the Soviet Union organised public meetings have been held to protest against the provocative activities of "foreign hirelings" which, it is said, led to the recent riots in East Berlin and the Soviet zone. But the East German leaders, who have been making a penitential tour of factories and workshops, could hardly fob off their audiences with such tales. They left the Russians out of the reckoning, but they did not spare themselves. "The present situation," said Herr Grotewohl, "is the outcome of a faulty policy by the Socialist Unity Party and the resultant wrong political, economic and cultural measures of the government." In particular it had pressed ahead too rapidly with the development of heavy industry at the expense of the consumer goods industries; and when difficulties then arose it had introduced coercive political and legal measures which had "widened the existing cleavage between SED, government and population." This is self-criticism with a vengeance, made not in the privacy of the party conclave but before largely hostile audiences.

The post-mortems on the riots have been accompanied by a flood of decrees and directives designed to make life easier for the workers. It is denied that there is any connection between the riots and the decrees; the latter are supposed to be the fulfilment of a policy decided on long ago. In fact, however, the new policies announced before June 17th aimed mainly at mollifying the middle classes and the farmers, whose exodus westwards had become an alarming drain on the zone's economic strength. The workers then received few immediate benefits, although they might expect to benefit eventually from the planned increase in the consumer goods industries. But the measures announced last week are clearly meant primarily to pacify the workers—the immediate release of large stocks of food and clothing, increased social insurance benefits, more workers' houses and, above all, no increase in norms.

Few East German workers can be fooled by Herr Grotewohl's assurances that all this results from the government's recognition of its past mistakes. Nor can the Russians have many illusions about the true state of affairs. But since policy in Eastern Germany is part of a larger diplomatic game they must want to smooth things over, and they probably reckon that so long as the Red Army is on the spot, they can safely let their puppets bow to the storm.

Hungry China

A MONTH ago Peking radio happily reported a speech by an Australian visitor who declared that China, thanks to land reform, had become "a bread basket for the whole Asian world," able to feed not only its own people but also those of India and Ceylon. This broadcast went out in English on short waves, thus escaping the ears of the Chinese themselves, who in the same week were receiving from their government frantic appeals and orders for greater efforts to check the spread of famine.

In the past three months, famine has been admitted by the authorities to exist in nearly half of the provinces of China proper. The government ordered all local Communists to set aside their political campaigning and get the

peasants to produce more food at all costs. The *People's Daily* castigated Communists who were still repeating the claim—originally made by this official paper itself—that China's food problem had been solved. In the big cities, the situation was saved by the release of government hoards of grain and by summarily deporting the thousands of peasants who had swarmed in from the stricken countryside; 12,800 were shipped out of Sian alone in a few weeks. But it was officially admitted that State reserves, even after three years of allegedly bumper harvests, were too small to fill all the empty stomachs.

Grudgingly, it has been recognised in Peking that this tragic state of affairs is at least partly due to mistaken policies. (Counter-revolutionary saboteurs have not even been mentioned in Communist reports on the famine.) Much of the peasants' apathy was traced to the brutality of Communist officials, who, according to their own press and radio, have arbitrarily ordered the uprooting of crops, withheld ploughs that should have been distributed to farmers, and imposed taxes that would discourage any peasant from increasing his output. But is it fair to denounce local Communists when they have only been zealously pressing forward to the goal, set by Peking itself, of a wholly collectivised agriculture? They are now being repeatedly told to respect the peasants' rights to land ownership for the time being, and not to force them into co-operatives. It is easy to see in these tribulations one good reason why China should want to ease the strain of the Korean war. It is less easy to see where the food promised to Ceylon and other nations is to come from—especially if China's population continues to multiply.

Hongkong Watches and Waits

THE possibility of a truce in Korea is being watched with particular interest in Hongkong, whose inhabitants are very conscious that American binoculars are levelled on their activities twenty-four hours a day. First thoughts suggest that some restrictions may soon be eased, but there are so many uncertainties about trade with the mainland that no clear commercial policy has emerged. Little doubt is felt that, at best, many months must elapse before the Americans would permit trade on the China coast to return to what it was three years ago.

Hongkong as a whole has not been very interested in the unofficial British trade mission which recently passed through on the way to Peking. It follows as strictly as possible the rules of the game governing trade with Communist China. And while the old China houses watch the activities of the "New Traders" with interest and sometimes envy, most of them have already had such difficult and disappointing experiences with the Communist regime that for the moment they rather relish watching others try their hand and possibly burn their fingers. Meanwhile, the atmosphere of moderate recession as a result of the current restrictions has been partly lightened by the significant fact that, in spite of all the suspicions and accusations fostered by Senator McCarthy and his followers, American trade with the colony has been improving; United States exports to Hongkong rose to \$8,836,000 in the first quarter of this year, compared with \$7,359,000 in the previous quarter and \$7,017,000 in the first quarter of 1952.

Schools Debated

WHEN the Select Committee's report on schoolbuilding was debated in the House of Commons on Wednesday, the Minister of Education was able to answer effectively much of the Opposition's criticism. She could point to the fact that under her regime the amount of schoolbuilding had increased. A Labour member made the nice debating point that she took the credit for having completed the schools and blamed the Opposition for having started them; but there was sense in Miss Horsbrugh's claim that at the time she took office the limited amount of materials was being spread over too much work.

Neither the Minister of Education nor the Minister of Housing, however, could find any effective reply to the committee's contention that new schools were not keeping pace with new houses. The best that Miss Horsbrugh could do was to suggest that in new houses the children slept better and that was a good thing from an educational point of view. Mr Macmillan could show that the amount of schoolbuilding had not been cut to build more houses; this government had succeeded in building both a good deal faster than Labour had. Nothing, however, can alter the fact that housing estates have gone up without schools to serve them. And it is plainly true—of the last government as well as this one—that some of the money used in high-cost, heavily subsidised houses, for people not in desperate need, would have been used to better purpose in schools.

It was in the nature of the committee's report that it should be the subject of party strife, but it will be a pity if this leads to its being otherwise ignored. Some of its recommendations were sensible—as, for example, that new schools should be planned three years ahead. Moreover, although the committee discovered nothing new about the state of Britain's schools, neither the Government nor the public should be permitted any complacency.

The Unrationed Ration

THE butchers are up in arms against the Ministry of Food's attempts to get rid of surplus meat. An extra two pennyworth over and above the ration of 2s. 4d. is to be distributed to them from next Monday, and this they can sell to all comers. But in practice they expect to be left with fat pork and with large quantities of ewe mutton—which no one will buy, least of all the kind of customer who can afford extra meat. There is now less of this ewe mutton than there was, but it is harder to sell because more meat of better quality is available. The butchers are particularly indignant because they now have to accept their quota of ewe mutton if they want any meat at all, whereas in recent months they had been allowed to refuse it. This new rule is causing something like a strike in Scotland. Fat pork is also difficult to sell, but it causes less ill feeling because there was never any option to refuse it.

The sausage manufacturers will provide little help for them, presumably, would be interested only in replacing by pork the high proportion of ewe mutton that has been going into the "pork" sausage. It seems almost certain, there-

fore, that the Ministry of Food will be driven to reduce the price of the inferior meat; and it follows that the price of the more popular kinds should be raised, so that the amount of subsidy can remain constant. The logical further step would then be to lower meat prices in time of plenty and raise them during the winter scarcity.

If these changes were made, demand would be adjusted to supply and the justification for rationing would disappear. The difficulty is the necessity of finding a less rigid way of giving the farmer his guaranteed price. A decontrolled and unsubsidised price for beef might present no problem, because for the carcass as a whole the farmer would still get the same return, and this would probably be true also for mutton of reasonable quality. The real problem is pork. The Government has stimulated pork production by paying the farmer more than it could, in a free market, get back from the consumer; and thus the increase in home meat supplies is actually delaying the end of rationing. Such is the consequence of "planning" that does not take demand, supply and price into account. The next move is with the Minister of Agriculture, who should be plainly told that the present situation cannot continue.

Changes at the Treasury

THE administrative changes at the Treasury which are to follow upon the coming retirement of Sir Edwin Plowden, who has for over six years borne the title of Chief Planning Officer to the Government, are more than a mere reshuffle of persons; they embody two innovations of some importance. In the first place, Sir Bernard Gilbert, one of the Second Secretaries of the Treasury, is to be designated Deputy to the Secretary of the Treasury. The Secretary is also Head of the Civil Service, and cannot give more than part of his attention to the Treasury. This is not quite as bad as it sounds, since the Second Secretaries, who preside over the three main sub-departments—Home Finance (where Sir Bernard Gilbert is to be succeeded by Sir Herbert Brittain), Overseas Finance (Sir Leslie Rowan), and Establishments (Mr T. Padmore)—each have the rank (and salary) of a Permanent Secretary of any other department. Nevertheless it will clearly be an advantage for there to be a Deputy Secretary who can draw all the threads together.

The second change is to complete the incorporation in the Treasury of the departments and sections concerned with the central oversight of economic policy. No direct successor to Sir Edwin Plowden is to be appointed; the new Deputy Secretary of the Treasury will take his place as Chairman of the Planning Board. Similarly, the Economic Section of the Cabinet office, which has in recent years worked increasingly closely with the Treasury, is now to be incorporated in it; its present head, Mr Robert Hall, is to have the title of Economic Adviser to HM Government.

The concentration of forces thus formally recognised—it happened in practice some time ago—is unquestionably right. Extra-departmental thinking staffs can have an influence on policy only when the accidents of politics allow them to attach themselves to a Minister whose qualities of mind enable him to use such a staff and whose political standing commands a hearing. This was true of Sir Stafford Cripps when, for a short time in 1947, he was

Minister of Economic Affairs, and when the planning staff was first set up. It was also pre-eminently true of Lord Waverley when he was Lord President during the war and when, in consequence, the Economic Section of the Cabinet Office was able to do a great deal of useful work. But at other times—and that means at most times—the sort of slightly longer-term thinking that is labelled “planning” is best done immediately alongside the day-to-day administration.

Ministerial Merger

THE Government's proposal to merge the Ministry of Pensions with the Ministry of National Insurance has stirred up more opposition than might have been expected. The order putting the merger into effect was approved this week by a majority of only 14, with one Conservative member voting against the Government.

Criticism of the proposal has taken three forms. First there is the argument that the creation of one large Ministry out of two separate ones, so far from increasing efficiency, merely adds to the delays in getting decisions on policy. As long as the functions of the merged departments are unchanged, extra administrative hold-ups at the top outweigh small economies in staffing lower down. The functions of the Ministry of Pensions, however, overlap considerably with those of the Ministries of Health and National Insurance. Civilians are treated at Ministry of Pensions hospitals; ex-servicemen are treated in national health service hospitals; the Ministry of Pensions acts as the agent of the health service in the provision of surgical appliances and artificial limbs for civilians. The scheme for the casualties of industry, which is administered by the

Ministry of National Insurance, is based on the war pensions scheme, and the amount of disability suffered by workers and servicemen is determined by the same medical boards.

The second argument against the merger is that war pensioners should be given priority in treatment, and that this can be ensured only if they have a separate Ministry to look over their interests. It is, however, a cardinal principle of the merger that this priority should continue, and there is no reason why, after the merger, war pensioners should not be allowed, for instance, the same priority of treatment in the hospital service as they get now. The third criticism of the merger comes from the ex-servicemen's organisations, because, presumably, they will no longer have a special Minister to whom they can present grievances over the rate of pensions. In fact, however, there is little likelihood of war pensions, in peacetime, being raised without a corresponding rise in the social security payments for which the Ministry of National Insurance is responsible. Indeed, it is arguable that industrial injuries benefits set the pace for war pensions rather than the other way round.

Political Progress in Turkey

LAST week, the Turkish Prime Minister, Mr Menderes, said that inter-party relations were “better today than ever before.” A speech made on the same day by General Ismet İnönü, at the tenth congress of the Republican People's Party, showed that satisfaction over the development of Turkish party politics is not confined to the party in power. General İnönü said that the most difficult obstacle to real democracy in Turkey would be overcome once it was firmly established that the opposition was a necessary part of the country's political life and that it was impossible for either the party in power or the opposition to plot to destroy the other. He indicated that notable steps in this direction had been taken over the last six months.

This is a greater achievement than might appear. It is only three years since the Turks had their first real experience of how a parliamentary democracy works, when Kemal Atatürk's party was turned out of office at the general elections in 1950. The popular verdict was accepted, but political life grew dangerously tense and vituperative. Early this year a widespread reactionary organisation was discovered which aimed at ultimately overthrowing the present system by force. This made Turkish politicians realise that if they wanted parliamentary democracy to survive they must cherish it and abide by the rules. This led to a *détente* between the RPP and the Democratic party leaders and to exchanges of civilities which have done much to sweeten the political atmosphere. These developments, however, do not mean that political life in Turkey is becoming dull and formal; the stinging attacks on the government's economic policy at last week's RPP congress and the vigorous debates on policy within the congress itself, are sufficient evidence that this is not so. But they do mean that the steady progress made since the war in building up Turkey's defensive strength and in developing its backward economy is now being matched in the growth of its political institutions.

Getting the KMT Out of Burma

CONFUSION over the dispute about the Chinese Nationalist (KMT) troops in eastern Burma still continues. In the middle of last month the four-nation commission—America, Nationalist China, Burma and Siam—which has been meeting in Bangkok to discuss the problem reached a tentative agreement. This would have provided for the movement of KMT troops out of Burma by two or three different routes. One was by air into Siam and then on to Formosa; another was by road into northern Siam and from thence by air to Formosa, and yet another, it is reported, was via northern Siam and then Indo-China—though just how this would work it is difficult to see. The plan was to have come into operation within a fortnight of signature.

The planners had reckoned, however, without two of the actual participants. While it is reported from Formosa that the Chiang Kai-shek government is now itself willing to fall in with the strongly worded American desire that an end should be put to General Li Mi's adventures in eastern Burma, the troops on the ground are by no means ready to accept this ruling. Their deputy commander, General Li Tse-fen, has at last gone down to Bangkok to negotiate in person. At the same time, the Burmese have made many difficulties of their own. In the early days, the leader of their delegation, U Aung Gyi, declined to sit down with the representatives from Formosa. The Burmese were apparently afraid, not without reason, that they might prejudice their always delicate relations with the Chinese Communist regime in Peking if they sat around a conference table day after day with the Nationalists. This meant that everything had to be relayed to them by the Americans. Since then, the Burmese delegate has taken his seat at the table. But when it became a question of Burmese officers possibly going up to Monghsat to elaborate details with the KMT commanders on the spot he again said it would be impossible.

Fortunately, a good deal of ground has in fact been covered since Burma first protested to the United Nations about these unruly Nationalist troops on Burmese soil. It has been no small step to organise the present conference at all. But the delays and difficulties illustrate clearly both the prestige of Communist China in South-East Asia and the hesitant relationships of other Asian states with the unhappy regime on Formosa.

Money for the Colonies

MR LYTTELTON announced last week that new legislation will be introduced to carry on the intentions of the Colonial Development and Welfare Act. This is welcome. When the provisions of the Act expire in 1956, the British taxpayer will have found £140 million, and early in the 1954-55 session further provision will be made, depending on the information to be supplied by the colonial governments. Meanwhile, they have been given an informal guarantee of additional commitments amounting to £7

million over and above present authorisations, of which £3 million will be for the urgent necessities of the various schemes designed to meet the Commonwealth rice shortage. This will affect mainly British Guiana, Tanganyika and Sierra Leone.

It is clear from the two annual reports* which have appeared recently that additional funds will be needed—indeed that, in terms simply of what is desirable, the amounts needed will increase. Colonial evolution is accelerating, but while the advance to sovereignty cannot be halted, responsible government will come only if it accompanies a steady raising of social and educational standards. This is the difficulty. Tropical dependencies find it hard to raise social and economic standards to the point at which they sustain the steady flow of men with a secondary, higher or technical education who are necessary to man the public services and provide mature political leadership. This is the lesson, once again, of the West Indies survey. Welfare services continue to increase, but export income and public revenues have grown more from the general rise in prices for West Indian sugar and raw materials than from increased production; and now the rise in prices has halted. Yet the minimum annual requirements for West Indian education are expected to double between 1951 and 1961. Only the more rapid development of very limited resources can provide the surplus—over and above the subsistence needs of an expanding population—from which to finance such an educational minimum.

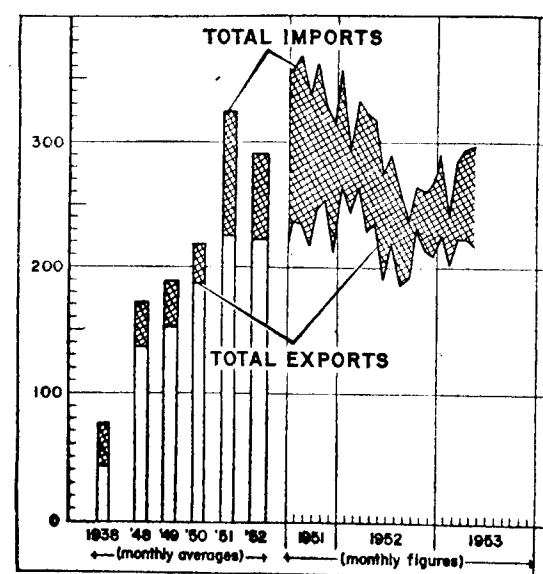
The West Indies may appear the most awkward case, but the same dilemma faces territories with far more apparent room for manoeuvre. The statistics given in the annual survey of the colonies tell the same story repeatedly. Education does, indeed, improve; each major region now has its university or is laying the foundations of one. But the local communities cannot win what is essentially a race against time without (among other things) a great injection of capital. Colonial development and welfare funds are invaluable in steering development in the right directions, but the need to attract capital from outside, and to induce savings amid poverty at home, remains the problem of most colonial territories.

Brave New Towns

MANY criticisms of the new towns were examined during the debate that Lord Silkin opened in the House of Lords last week, and this week the House of Commons debated the second reading of the Bill to provide another £50 million for the next stages in the building of twelve new towns in England and Wales and two in Scotland. These towns were to have been a solution to all sorts of problems—London's traffic, South Wales's squalor, Corby's labour lines, the class barrier, ribbon development and so on. Since 1946 economic realities have somewhat tarnished the dreams of social scientists and town planners. There is even some justification for the jibe that they have become so many more housing estates. This, however, is because spending has been so rigidly restricted to housing at the expense of

* “The Colonial Territories in 1952-53” (Cmd. 8856), “Development and Welfare in the West Indies” (Colonial No. 291).

THE UK TRADE GAP
£ MILLION



civic buildings, even of schools. It is the expression of modern priorities. The concept that a town's architecture began with the church, town hall, market or cloth hall built on a generous scale, while the citizenry ran up their own wattle and daub residences, disappeared with the age of faith. Living in a housing estate or garden suburb is the general notion of civic existence today, and the remarkable thing is that the new towns have, nevertheless, already achieved some civic character and pride.

Their difficulties, and perhaps also their achievements, are in part inseparable from the pioneer stages. Few of the new towns are more than three years old; against their combined projected populations of 480,000, they consist today of only some 12,154 houses and 83 shops in all. The eight new towns that ring London have special difficulties. Those on good communications inevitably tend to become dormitory satellites; they find inhabitants easily, but not a stable, locally employed population. Those, however, that are strategically isolated on quiet reaches of the old Great Eastern Railway have difficulty in attracting the industry to employ their tenants. Such industry as migrates tends to be light engineering of the kind employing relatively little labour, since wages have to be high to compensate for high rents. To keep employment and accommodation "in phase" as the towns grow is not easy; the corporations have to be super salesmen of factory space. Rising building costs, capital cuts and reinstatements, the competition of "development areas" for industry, the delaying tactics by the aboriginal population and the flat refusal of the managerial classes to chum up with the rest in the social planner's brave new world—all these are genuine complications. The corporations' standards have been at times extravagant in land, roadways and architectural good taste; civic soul might have been preserved at less cost in acreage and concrete. But on the whole the debates helped to show that new towns have not made too bad a start. The country may still be proud of the venture one day—and when the bills have been paid.

Capital Punishment on Trial

THE one thing to be said for the publicity given to the Christie trial is that it must have raised doubts in the minds of the staunchest supporters of capital punishment. It would probably have had that effect even if Christie's crimes had been the sole consideration. He was the self-declared killer of seven women. Had there been no capital punishment, the verdict would have been a matter of course, and the public would have been spared a great deal of the sordid story. But a man who is on trial for his life not only arouses a morbid fascination in his crime—and perhaps a secret impulse to imitate him in other abnormal people; he sometimes produces the wholly undesirable effect of winning public sympathy to his side.

But there was another, more disturbing, feature of the Christie trial. He confessed to murdering a woman whose husband was subsequently hanged. The fact that Evans was tried and sentenced to death not for her murder but for the murder of his child will not allay public misgiving. For Evans had originally been charged with the murder of his

wife as well; her death was part of the evidence produced at his trial; and in deciding whether a reprieve should be granted the Home Secretary takes into account all the evidence and the whole circumstances of the case. Sir David Maxwell Fyfe is giving urgent consideration to the question of an inquiry into the Evans case, and it may be that fears that there has been a miscarriage of justice will be dispelled. But, as Mr Silverman emphasised in moving his Bill for the suspension of capital punishment this week, if the penalty for murder were not death but life imprisonment, the possibility of correcting mistakes would exist. In the present state of the law they are irreversible.

When the Royal Commission's report on capital punishment appears in a few weeks' time, it will be concerned with restriction, not with abolition. In the last twelve months alone, however, there have been the Straffen case, the Bentley case and now the Christie case, all of them very different save that they have thrown serious doubts on the present procedure. Their effect may be that the Royal Commission's report will be out of date when it does appear. Public opinion may well have outstripped it.

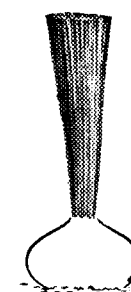
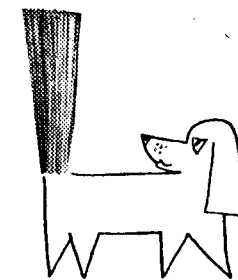
Houses and Incomes

Report of the Superintendent of the Census (Jos. C. G. Kennedy, Esq.) for December 1, 1852. Printed by Order of the Representatives of the United States.

"It would be satisfactory," says Mr Kennedy nearly at the commencement of his report, "to institute some inquiry concerning the character of what are termed houses by the British census." That satisfaction is accorded to him by the recent publication of the Registrar-General and his assistants. It contains not only a definition of a house—"an isolated dwelling separated by party walls from another"—but a learned dissertation on houses, and the American Commissioner may be enabled to judge of the degree of comfort enjoyed by the British and other people by their house accommodation. "It would seem from the British report," says Mr Kennedy, "that the population of that country is supplied with houses almost in the precise proportion as in our own country." But he adds, "... While our country cannot boast the princely residences of European countries, the occupancy of which is limited to comparatively few persons, we think there is a general sufficiency and comfort in the house accommodations of the American people, and that, in the most remote regions of our country, where their accommodations are most limited, they exhibit a very satisfactory degree of comfort and cleanliness. The fact is notorious, that where wretchedness is at all general, there will be found a population, which formed habits and imbibed tastes in a foreign land." There can be no doubt that the number of princely residences, of noble mansions, of first and second rate houses, is much more numerous here than in America, which will explain the fact that the house accommodation of the two people may be on the whole and on the average about equal, while there may be many more wretched habitations and many people much worse lodged in England than in America. The distribution of wealth is more equal there than here, though we must believe ... that there is amongst us a tendency to greater equality, for it is pretty well impossible for many of our poor to become poorer, while the multitude now are becoming richer.

The Economist

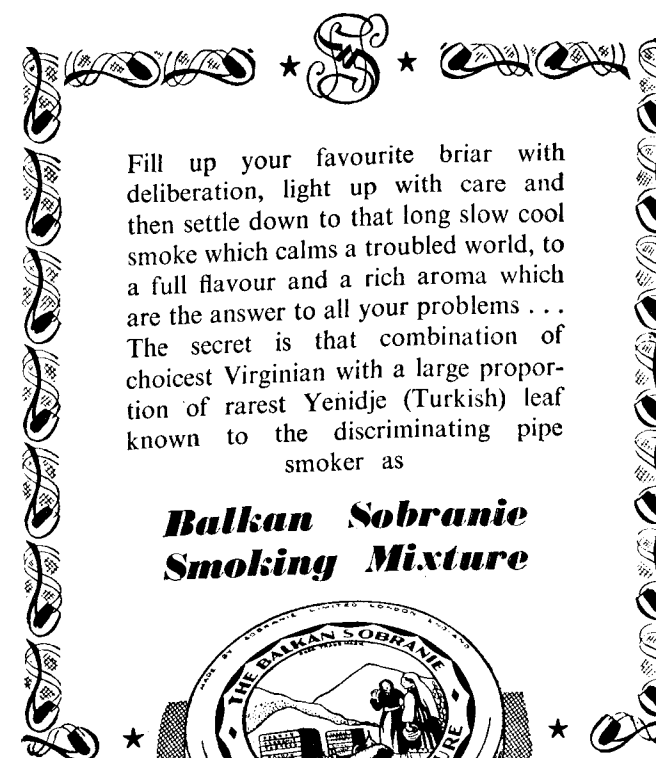
July 2, 1853



animal, vegetable or mineral?

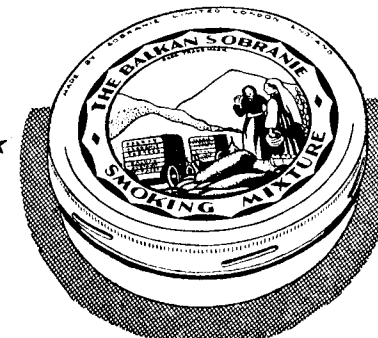
When you think of thousands of tiny fibres which can be teased away in the fingers, you don't usually think of a rock. With asbestos rock it's different. Asbestos is one of nature's freaks: a mineral, yet made up of gossamer-light fibres. These fibres, which never burn, can be spun, woven or moulded into a variety of materials. Hardly an industry, today, is not using Asbestos in one form or another. For the fullest information on its possibilities in your own branch of industry, consult

THE **CAPE** ASBESTOS CO. LTD. 114-116 Park St., London, W1. *GROsvenor* 6022



Fill up your favourite briar with deliberation, light up with care and then settle down to that long slow cool smoke which calms a troubled world, to a full flavour and a rich aroma which are the answer to all your problems... The secret is that combination of choicest Virginian with a large proportion of rarest Yenidje (Turkish) leaf known to the discriminating pipe smoker as

**Balkan Sobranie
Smoking Mixture**



Drambuie originated in the Isle of Skye where it was made in accordance with the recipe presented to a Mackinnon by Prince Charlie in 1745. The secret remains in the same family to this day.

Drambuie

THE DRAMBUIE LIQUEUR CO. LTD., EDINBURGH



future imperfect

Wild animals depend for their food on what they can find.
It is a hand-to-mouth existence. Man, having evolved the idea of agriculture, sows to reap. He cozens nature, making her amenable, to produce his food *when and where he wants it*.
He asks only health and strength to work his fields, peace to enjoy the fruits of his labour and a stable economy to ensure that he can sell and buy and exchange.
The main product of the Fisons business has for a hundred years been chemical fertilizers, to enrich the soils of farms and gardens. But they make chemicals for medicine and industry too.
Fisons contribute to Britain's harvests, health and wealth.



FISONS LIMITED • HARVEST HOUSE,
FELIXSTOWE • SUFFOLK

..... Fertilizers • Heavy Chemicals

Fisons are also among the largest manufacturers in Great Britain of pharmaceuticals, medicinal food preparations and fine chemicals for industry. Many of Fisons products in these fields are household names.

it's all in **FISONS** field

Letters to the Editor.

Opportunity for Adenauer

SIR—In the article in your last issue you point out that the unification of Germany, which seemed almost impossible a year ago, may now be possible, and you rightly perceive that this may prove an electoral asset to the Social Democrats. You suggest that Dr Adenauer should counter this by insisting upon free elections throughout Germany, an all-German government free to make what alliances it wishes, a peace treaty to be negotiated with—not dictated to—that government, and the fixing of Germany's frontiers in the peace treaty.

These terms have long been common ground between both parties in Germany, and are in line with the Social Democrats' "Action Programme" approved last September. To repeat them now could therefore scarcely amount to a very significant move in the electoral struggle.

The contentious question has always been the different one whether the incorporation of Western Germany in a western military alliance (whether EDC or Nato) should be pushed ahead, as Dr Adenauer and the Americans believe; or whether it should be held up, lest it should make four power agreement on German unity impossible.

You barely touch on this crucial issue in your article, in which your main pre-occupation seems to be to help Dr Adenauer out of his electoral difficulties. In your leading article on another page, however, you urge that the "attempt to fit a democratic Germany into the Western alliance" should be maintained. By a "democratic Germany" you appear to mean Western Germany since you go on to say "The only real choice is between having the iron curtain on the Elbe and having it on the Rhine."

If this is what you really believe, then you are in effect advising Dr Adenauer to preach unity as an election stunt, and then, having dished his opponents on polling day, to pursue a policy based on partition at the Elbe.

I can only suppose that you have been led into giving this highly disingenuous advice by your fear, clearly expressed in both articles, lest leadership in a united Germany might come to lie with the non-Communist left.—Yours faithfully,
KENNETH YOUNGER

House of Commons

[Mr Younger is too ingenious. Our phrase about the Elbe and the Rhine (which was obviously not intended to be geographically precise, since "the Elbe" is no more an accurate description of the eastern

border of the Federal Republic than "the Rhine" is of the western) merely—and, in its context, clearly—meant that, so long as there is hostility between Russia and the West, Germany cannot be neutral. Of course, if, by a miracle, the Russians permitted free elections in their zone and thereby surrendered it, "the Elbe" would have to be changed to "the Oder." But it would still be a choice, and we think that Dr Adenauer is right in believing that, if reunion takes place under the banner of neutralism, the iron curtain will finish up on the western, not the eastern, border of Germany. Germans may perhaps be forgiven for debating with themselves whether they put a western orientation ahead of national unity. But the British interest is perfectly clear, and we are shocked to find that, since he left office, Mr Younger's socialist prejudices have blinded him to it.—EDITOR.]

The Crumbling Ration Book

SIR—Referring to fatstock marketing, you say that "two solutions are offered, one at the expense of the consumer and one at the expense of the Government." You add that the National Farmers' Union would "keep up prices by regulating supplies," that a Fatstock Marketing Scheme would "perpetuate all the rigidities of the Annual Price Review," and "worse still, it would enable the producers to control imports."

No Marketing Board, whether fatstock or any other commodity, has power to control imports. Only the Government has power to control imports—a power which it can be relied upon to exercise objectively in the light of the balance of payments position, the availability of supplies from all sources, both home and foreign, in the over-riding interests of the public as a whole. Nor would a Fatstock Marketing Board be restrictive; its primary aim would be to expand and improve production. It would do this in three main ways:

(1) By moving fatstock direct from farms to abattoirs, thus cutting out collecting centres. It must be realised that fatstock are perishable, and this will avoid double handling and delay, which result in considerable loss of weight and bruising, besides suffering.

(2) By substituting grading "on the hook" and on a deadweight basis for the present system of live weight grading "on the hoof." This gives an incentive to the producer to market the type and grade of meat the customer wants, while it enables him to gain full benefit from his enterprise.

(3) By establishing national grades for home-produced meat so that butchers can get the quality they pay for and can know in advance exactly what they are

getting. Close and exacting grading, statutorily controlled, governs most of the food exported to this country.—Yours faithfully,

EDWIN DE GREY SEAMAN
King's Lynn

[Although it is literally true that only the Government has power to control imports, it is obvious that a producer board could exert considerable pressure on the Government to restrict imports, while the consumer, who is unorganised except at election times, would be unable to do anything about it. One has only to look back over the past annual price review negotiations to see what pressure organised farmers can bring to bear on the Government.—EDITOR.]

A Protest

SIR—As an American business man who has read *The Economist* for something over twenty-five years, I desire to register a protest at the nature of the reporting of political matters in this country in *The Economist*. It strikes me that your correspondents in Washington have failed to try to get any "feel" of what the new Eisenhower administration is trying to accomplish or why the American people voted for Eisenhower. Large segments of the American people became increasingly dissatisfied with the Roosevelt-Truman foreign and domestic policies as they became increasingly aware of their significance. Extravagant spending obviously brings with it inflation and corruption. A foreign policy based on Rooseveltian opportunism and his catastrophic miscalculation of Russia's intentions could only result in increasing failure to meet the optimistic expectations which had been held before the masses here. Further, your reporting seems to assume that it is the obligation of the United States to consider "the general interest" before its own. It is only natural that each foreign nation should consider "the general interest" in the light of the specific interests of that foreign country. However, it seems unfortunate that the British public is being informed by representatives of the British press in Washington that Eisenhower is "wrong" or "weak" for endeavouring to develop a policy which is designed to secure the support of wide elements in this country, as represented in Congress, and which would adjust our internal and foreign policies to the long-term national interest.

I have been an Anglophile all my life and as a former history student have read English history with admiration. The policies which made England a great nation were based on enlightened self-interest and not on a philanthropic desire to broadcast England's wealth over the world. I think that your representatives in reporting on the American scene should endeavour to seek out and at least understand the point of view of us in this country who feel that our foreign policy should be based on our long-term national interest.—Yours faithfully,
JOHN K. JENNEY
Wilmington, Delaware, USA

Books & Publications

The Practice of Voting

THE ELECTORAL SYSTEM IN BRITAIN, 1918-1951.
By D. E. Butler.
Oxford University Press. 222 pages. 21s.

THE British people and their politicians have been, at most times, remarkably content with the country's electoral system. Certainly the outstanding result of Mr Butler's careful study is to show how little part electoral controversy has played in the politics of the past thirty-five years. That is the more remarkable because the system was in fact changed considerably during this period. There was the great extension of the franchise in 1918, its equalisation as between men and women in 1928, and in 1948 the abolition of the university and business votes—besides many changes in the law governing the conduct of elections. But the truth is that, except for the abolition of the university vote, there was little opposition to these measures in principle. People who did not like them nevertheless regarded them as inevitable; for politicians, certainly, any vigorous opposition would have cost votes at the next election. The debates therefore almost always turned less on the merits of the proposals than on the propriety of putting them forward. Even in 1948, on the university issue, the main Conservative charge was that Labour had broken the "bargain" on electoral matters reached in the Speaker's Conference of 1944.

Mr Butler's analysis of this controversy is the part of his book that politicians will read most avidly. It is judiciously done, but the conclusion is somewhat muffled. The strongest charge that can be sustained against Labour is, in the author's view, that it had in 1944 "allowed certain misconceptions about the duration of the bargain to grow up . . . and that in shattering those illusions it gave many people the idea that it had broken faith." But were the "many people" reasonable in forming that idea? He says roundly that Labour was not guilty of "gross unconstitutionality," which is undoubtedly right; but what, in this context, is "gross"? Mr Butler's judicious analysis of the dispute is a little remote from the flesh and blood of the argument about political ethics.

But this is not a general criticism. For the rest, Mr Butler writes not only fully and carefully but also clearly, and with life and insight. His account of how lightly and how little the electoral system was discussed is also, by implication, a large part of the story of the

Liberal party's decline. Twice, in 1918 and in 1931, Parliament came near to passing the measure of electoral reform—either proportional representation or the alternative vote—that would have saved the Liberals. But in 1918, before the imminent rise of Labour was recognised, they were themselves divided on proportional representation and not even unanimously in favour of the alternative vote. In 1931 the need was clear and Labour reluctantly compliant, but the economic crisis rose in the path. It is difficult, however, to believe that in any event a fundamental change in the system of voting would really have been carried into effect when interest and understanding were so slight. The Liberals suffered not only from ill-luck but also from their own failure to make a case; their difficulties in this respect reflected, in part, the lack of such study of electoral systems as Mr Butler, in particular, has carried out since the war. British politics might now be very different if the intellectual climate for electoral reform had been created before the political power to achieve it withered away.

Mr Butler's analysis of the working of the electoral system follows his historical account. It also is clearly done, and it demonstrates some important new points—for example, how steadily support for the Liberal party declined between the wars. In both parts, much unknown ground is covered with scholarship and skill.

The case for and against electoral reform is too often argued in absolute terms; the merits of different voting systems should, as Mr Butler points out, be judged afresh for each country and each period of history. He also concludes the historical section of this book with the observation that "the significant evolution of the electoral system now lies in the parties' use of the weapons of organisation and publicity." There would be few more valuable political studies than to bring these two points together—that is, to re-examine the working of different electoral systems in the new conditions of mass publicity and centralised party organisation. Most politicians will, of course, regard such studies as entirely academic, if only because any electoral change is bound to hurt one party or the other and therefore to provoke too much opposition to be practicable. But it might be wise to bear in mind another of Mr Butler's conclusions; he shows that it has been the exception rather than the rule for changes in the electoral system to be agreed party measures.

Coin and Note

THE MINT. A History of the London Mint from A.D. 287 to 1948.
By Sir John Craig.
Cambridge University Press. 450 pages. 70s.

THE BANK OF ENGLAND NOTE. A History of its Printing.
By A. D. Mackenzie.
Cambridge University Press. 163 pages. 15s.

THE simultaneous appearance of books on the Royal Mint and on Bank of England notes provides readers with a good background picture of English means of exchange. Sir John Craig's substantial chronicle of the Mint goes more than 1,400 years farther back than Mr Mackenzie's deft monograph. The Bank's first notes date from 1694, the year of its establishment by charter. In part, Sir John Craig's history is inevitably one of vanished splendours, a decline and fall from gold and silver coin of high intrinsic worth to the first cupro-nickel issue in January, 1947. Maundy Money remains a sadly isolated survival, "the memorial," as Sir John remarks, "of a coinage standard [925/1,000 silver fineness] which had endured with one short break from the Saxon kings."

The separate mints of the Anglo-Saxon kingdoms make up most of the earliest history of money in England. Gradually coining came to be concentrated in London. At the end of the thirteenth century the London Mint was established in the Tower, where it remained until its translation in 1811 to the sober classicism of the present building on Tower Hill.

Much of Sir John Craig's book recounts technical advances. Peter Blondeau of the Paris Mint effected a considerable mechanisation of the Tower Mint in 1662. His coining press could perform the miracle of striking 20-25 coins per minute. When the removal to Tower Hill was undertaken in 1811, steam plant was installed there by the famous Boulton and Watt firm, whose chief engineer was the versatile John Rennie. The Mint's modern mechanical presses strike coins at rates of 90-120 to the minute. In 1950 electric furnaces were added to supplement the melting of crucibles by the luridly greenish gas flames that linger in a visitor's memory.

The Royal Mint's present constitution, with the Chancellor of the Exchequer as ex-officio Master, delegating administration to a civil servant, the Deputy Master and Comptroller, dates from 1870. Pre-eminent among Mint officials is Isaac Newton, Warden during 1696-9 and Master from 1700 to 1727.

Mr Mackenzie's little book deals mainly with paper and printing technique. The ordinary reader will be interested chiefly in the account of the Bank's pursuit of an inimitable note, vainly maintained for a quarter of a century. At an early stage, the watermark had been recognised as a means of

restraining the forger. After the restriction of cash payments in 1797, because of the war with France, a much expanded note issue was followed by an alarming increase in the circulation of forged notes. An appalling number of executions resulted—313, for instance, in 1817.

In 1791 the Bank belatedly established a printing department within its own walls. Its printers participated in the search for the inimitable note by imitating inimitable specimens submitted. A melancholy routine developed. On the submission of a claim to inimitability, the printing department would produce a copy sufficiently close to deny the claim. After the 1914-18 war, the Bank's printing work was transferred to the sombre stronghold that frowns upon the traffic in Old Street. It was once St. Luke's Mental Hospital.

London's Doorstep

MIDDLESEX.
By Michael Robbins.
Collins. 456 pages. 42s.

THE editor's aim in this, the first volume of what promises to be a substantial series, is "to describe the local history of England, relating it to the history of England as a whole" and "to give some account of the county as it is today, linking past and present." His intention is to summarise existing knowledge, in volumes more concise than the larger Victoria County Histories; his targets, the general reader interested in the past of his own district.

The author of this volume, hampered by restriction to the modern county, ignoring that older Middlesex which until 1889 contained most of its essentials, makes his points clearly. His first part covers the general theme. Geography and the influence of London were the keys. The flat river plain in the angle of Thames and Lea, good water communications, clay lands "adhesive and ungrateful," gravel and brick earth, were the ruling physical influences until railways and the growth of population created modern suburbia. Politically, the great lords preferred remoteness from the Court and, until the Reformation, the Church was the largest landowner. Thereafter moneyed men invested in Middlesex lands but founded no enduring dynasties there. Hampton Court had its moments of importance, as had the Middlesex elections of 1763-1837. Economically, the rich market of the capital dictated a county of market gardens and hayfields, until both were engulfed by suburbs and, during the inter-war years, by the light industries established along new arterial roads. Statistics best show these changes—70,827 (1801), 792,476 (1901) and 2,268,776 (1951)—when Plymouth was less populous than Harrow. Ecclesiastically the county was long a Puritan stronghold, with many Quakers. Yet in the years 1851-1951 the Anglican church

added 156 new churches to its former 71. Socially the county has "never yet had an independent and continuing social life of its own," lacking a resident culture independent of London. This lack the author feels deeply, devoting two chapters to a plea for a reform of local government, which will enable the keenness of local societies and the genuine interest of many in the affairs of their neighbourhood to play a constructive part in their own government.

The second part is a pleasantly written topographical survey assembling much information. Reflecting the author's interest in transport, it provides a valuable short history of each locality, supplemented by a bibliography setting out the materials used. How far reliance on printed sources—virtually ignoring both the riches of archives, public and private, and the handful of relevant degree theses—is adequate, the reader must decide. Helped by a pleasing format, good illustrations and a lively style, he will undoubtedly enjoy himself. Whether he will be wholly satisfied by a history of Middlesex which omits all that, until the last generation, was its most essential part, is more doubtful. As a describer of London's doorstep, the author succeeds, but his work would have gained beyond measure had he linked, however tersely, both sides of the threshold.

Mercantilist Weapon

THE FREE PORT SYSTEM IN THE BRITISH WEST INDIES.
By Frances Armytage.
Longmans. 176 pages. 21s.

EVER since Adam Smith erected the traditional trade policies of his day into the "Mercantile System" to provide the aunt sally for his free trade argument, historians have mostly ignored the fact that free trade in the form of smuggling was a regular, if limited, weapon in the mercantilist armoury. Much has been written about the upkeep of trade and shipping monopolies with British colonies, but far too little has been heard of the aggressive side of mercantilism, about breaking into foreign colonial monopolies and pushing such free exchanges of goods as would strengthen national power. Contraband trades with foreign colonies, carefully fostered by government, were vital instruments of mercantilist policy.

The British free port policy of 1766-1822 represents the ultimate refinement of contraband trade—pushing on a systematic scale. Mrs Armytage's scholarly monograph dealing with this topic, published by the Royal Empire Society in its series of imperial studies, is therefore a notable contribution in a neglected field of mercantilist trade policy. The author describes how, by the middle of the eighteenth century, the old-established illicit trade, carried in British sloops from West Indian ports to the Spanish colonies, had become so dangerous as to demand a change of

THE ENGLISH LAND TAX IN THE EIGHTEENTH CENTURY

By W. R. WARD 21s. net
(Oxford Historical Series)

This book traces the history both of a contentious political issue and of an interesting part of the machinery of government. Successive chapters show how land tax administration was built up and how, after the legal structure was completed in 1698, its working was affected by social and political changes. New light is cast upon the role of the land tax administration in the party battles under Queen Anne, in the system of influence in the middle of the eighteenth century, and in the fiscal developments occasioned by the American and French wars. Changing opinions on the place of the land tax in the revenue system are analysed, and a contribution is made to the social history of the English civil service in the eighteenth century.

OXFORD
UNIVERSITY PRESS

The Logic of British and American Industry

P. SARGANT FLORENCE
Professor of Commerce,
Birmingham University

"Professor Florence's book brings together a great mass of information about the structure of British and American industry. Many of the facts are the results of the author's own researches, while others are drawn from the works of numerous contemporary investigators in the same field. The scope of the book is very wide."—*Manchester Guardian*.

28s. net

Routledge & Kegan Paul

technique: and how, consequently, the British navigation system was modified to permit Spanish colonial vessels to bring raw cotton and dye-woods as well as bullion to certain British West Indian ports and to carry away British manufactures to be smuggled into Spanish America. The device of free ports was so successful that, at the peak of their prosperity in 1813, they re-exported to foreign colonies almost half of the goods that Britain exported to the West Indies.

In a sense, however, this study does not bring out the broader significance of the free ports. The stratagem of establishing centres of free exchange in order to entice foreign merchants out from behind the trade barriers set up by their governments, and thus persuade them to smuggle in the cause of British expansion, was employed not only in the West Indies, but in China and the foreign-held East Indies as well. Although the free ports seemed at the time entirely consistent with mercantilist principle, they proved heralds of the transition to free trade. Thus the liberalisation of the old trade empire began at its periphery, where its expansion was blocked by foreign monopoly.

Splendid Radical

WILLIAM COBBETT: *A bibliographical account of his life and times.*

By M. L. Pearl.
Oxford University Press. 266 pages. 25s.

THE many dreary passages in English history during the first three decades of the last century often have their dreariness enlivened by the writings of that splendid radical tiger, William Cobbett. A big, burly man, a great lover of liberty and a great hater of deceit, he began his political life as a Tory because he detested the French revolutionaries, at least in their most bloodthirsty phase, and ended it the most popular of the reformers at a time when the reformers' predominance in English politics seemed assured for good. He was far too big a man to bother to be consistent, save in his essential demand—that every Englishman should enjoy his natural right to that decent life without which, he thought, there is no freedom.

Mr Pearl has tried to illustrate Cobbett's career by listing the books and articles which streamed from his pen at a rate unequalled in English political literature save by his own best biographer, Professor G. D. H. Cole—whose collection of Cobbett's writings Mr Pearl was able to use—and to note in a rather haphazard fashion some of the contemporary attacks on him. The listing is not done in a way that would appeal to a bibliographer, and no room for extensive quotation has been found. This book is not useless to an historian, for the vigour of the subject character shines through it; but the principles on which Mr Pearl has composed it, and the readership which he intends to attract, remain obscure.

Tribute to a Scholar

VARIA POLITICA.

By William E. Rappard.

Editions Polygraphiques S.A. Zurich. 368 pages. Fr. 38.50.

THIS collection of papers and addresses, composed by Professor Rappard over a period which includes both World Wars, was made and published as a tribute by his friends and admirers on the occasion of his seventieth birthday. It is therefore a variant upon the more familiar "Essays presented to X," whereby in our academic world scholars do honour to a colleague with the production of their own several pens. It is a graceful tradition which has served to evoke or revive occasional pieces of more than occasional importance, even if the resulting volume usually lacks the unity that makes a book.

In the present case any such unity was the more difficult to achieve by reason of the wide range of Professor Rappard's interests, represented here under the six headings of *Academica*, *Economica*, *Politica*, *Internationalia*, *Helvetica* and *Americana*. As an academician Professor Rappard has some interesting things to say on the functions of universities and on the discharge of those functions, where they conflict with each other and with the interests and obligations of teachers outside the university; of the three purposes of the university—general education, training for the professions, and research—M. Rappard regards the last as the highest and purest.

As a former international civil servant M. Rappard compares the present trusteeship system of the United Nations with the mandates of the League, to the advantage of the earlier experiment, and he contrasts the Charter as a whole with the Covenant, again to the advantage of the earlier document, which he regards as less belligerent in its genesis and in its tone. On European union it is instructive to read the doubts, not to say scepticism, coming from Switzerland, a country which is held up by other Europeans and by Americans as the exemplar of unity. As a Swiss, Professor Rappard is frankly alarmed at the prospect of a federation of a part of a part of Europe, but as an observer of current affairs he comforts himself with the reflection that the scheme is unlikely to come to anything.

Specifically Swiss matters, such as consideration on the constitution of 1848, for the most part interest only the specialist, but a paper on the Initiative, Referendum and Recall in practice in Switzerland raises wider issues of the working of democracy after the introduction of universal suffrage. As Professor Rappard points out in a different paper, the Swiss people were probably more familiar than any other with the contents of the Covenant of the League owing to the referendum which preceded its acceptance by Switzerland. Since Professor Rappard wrote on these constitutional peculiarities, the invention of

THE ECONOMIST, JULY 4, 1953

television has strengthened the direct connection between people and political questions.

This volume, besides paying respect where respect is due, contains much worth pondering, especially if it is not read, as the reviewer perforce reads it, in a sitting or two. It also contains a complete list of the works of Professor Rappard, comprising 304 items.

The Making of the Australian

AUSTRALIA: HER STORY.

By Kylie Tennant.

Macmillan. 296 pages. 15s.

HOW many people know the texture of national experience which goes to make up that distinctive thing—the Australian character? In general the Australian is judged without understanding of his background—certainly to a far greater extent than the American or South African. Yet his history and environment condition his attitudes, which cannot be understood apart from them. And that history, that environment, are rich and compelling to a degree that few people in Britain are usually willing, in their ignorance, to believe.

The history of the Australian labour movement, for example, is interwoven with the fight of the free settlers against convict settlement and the successful land-grabbing of a "squattocracy" which has been as powerful an influence in Australian as the squirearchy in English life. The solidity and loyalty of the Australian unions, and their temporary capture by the Communists, require for their understanding a reading in the Australian republican tradition which was grounded in British chartism. Nor can the policies of "white Australia" be understood apart from the long history of colour conflict in the nineteenth century. How many British people know that long after British cruisers had crushed the slave trade off the West African coast, they were powerless to prevent it from operating between the South Sea islands and Queensland? How many know of the long agony of *Homo Tasmanianus* fighting against the white invaders—and of their last stand under a queen as brave, if more primitive, than Boadicea? How many know that Australia was a dumping ground for Chinese, as well as British, undesirables?

Miss Tennant has provided a most admirable background study of the Australian scene and the elements which make up Australian frustration, as well as Australian achievement. Her book should find a real use when the history of the Commonwealth is imaginatively taught in schools—and not in British schools only. She rightly quotes Mark Twain on Australia's unknown history: "It does not read like history, but like the most beautiful lies; and all of a fresh new sort, no mouldy old stale ones . . . but they are all true, they all happened." In their happening, they made the Australian.

THE ECONOMIST, JULY 4, 1953

Are you a Tall Tycoon?

Then you are perhaps
an uncomfortable Tycoon

in your office.

Desks are made for average men,

and the broad and the short

and the tall must fit themselves

to their furniture.

You should speak to Mr. Peter Catesby

and his staff about it.

They make furniture fit the man.

If your knees bump the
drawer of that desk you admire;

If your size is too splendid
for the chair; then Catesbys

Contracts are poised, ready
to adjust, to alter, to make you

supremely comfortable.



Catesbys
contracts

Office Furniture • Floor Coverings • Curtains • Decorating • Fittings
41-43 TOTTENHAM COURT ROAD, LONDON, W.1. Telephone: MUSUM 777



People prefer wrapped bread

It saves them money; it's more economical because there's no waste—the bread stays fresh to the last piece. And, of course, it's more hygienic: that appeals to the housewife who wants all her food pre-packed and cleanly wrapped. So, more and more bakers are wrapping their bread in specially waxed paper, attractively printed before it is waxed—and more and more of them are using the waxed papers made by Powell Lane which, as a Division of the Reed Paper Group, can draw on the great resources which the Group brings to bear on every modern paper problem.

POWELL LANE
WAXED PAPERS
CORRUGATED GREASEPROOF AND PAPER SHAVINGS
Products of
POWELL LANE MANUFACTURING CO. LTD. (GLOUCESTER)

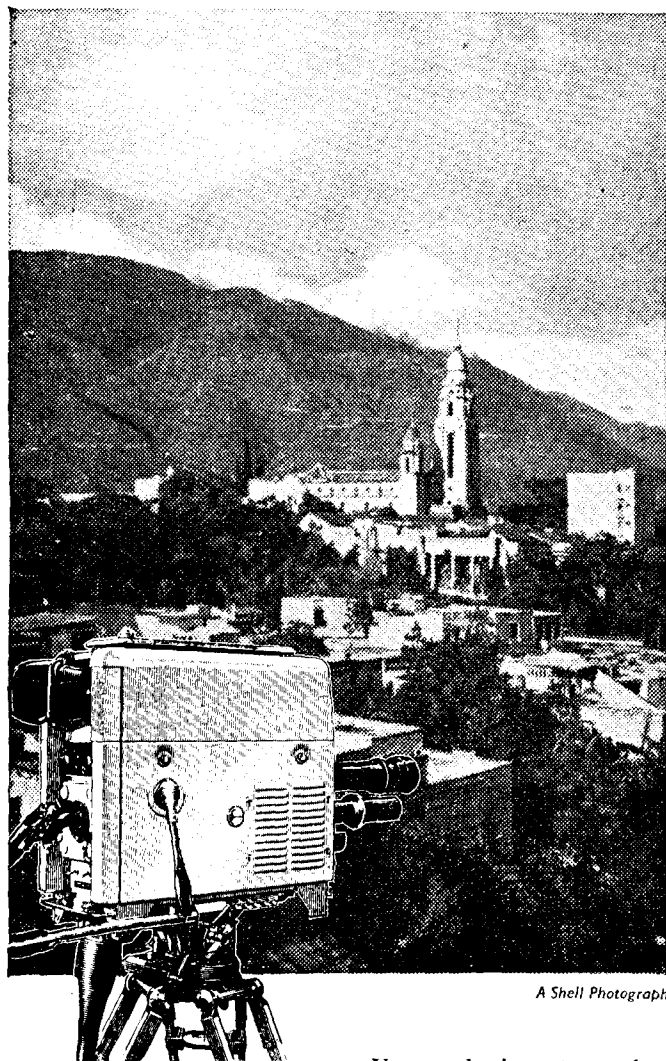
Division of the
Reed
PAPER GROUP

HEAD OFFICE: 105 PICCADILLY LONDON W.1

REED PAPER GROUP PACKAGING includes unglazed
and M.G. kraft and M.G. sulphite wrappings; multi-wall sacks;
waxed papers; corrugated papers and cases.

PIONEERS IN MODERN PAPER TECHNOLOGY

Marconi Television for Venezuela



A Shell Photograph

Equipment purchased by 'Televisa' for their Caracas station, includes:

- 5 kW vision transmitter
- 3 kW sound transmitter
- Associated aerial system
- Complete studio installation
- Complete mobile O/B television unit, with two camera channels and micro-wave links

Venezuela is yet another country to install Marconi television equipment.

Marconi cameras are used by the United Nations to televise their Sessions, and the television systems of both Canada and Spain bear the name Marconi.

Marconi high or medium power transmitters and high power aerials are installed in every one of the B.B.C.'s television transmitter stations.

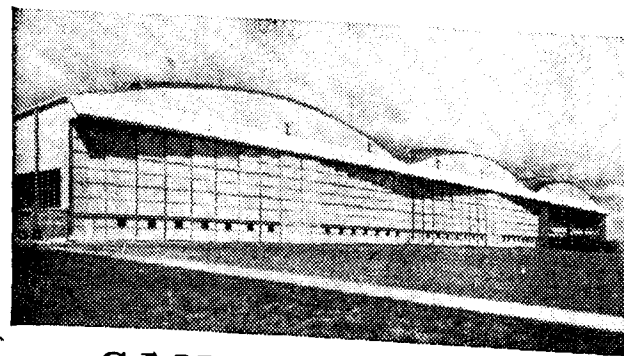
MARCONI
television transmitting equipment

MARCONI'S WIRELESS TELEGRAPH CO LTD · CHELMSFORD · ESSEX

THE ECONOMIST, JULY 4, 1953

HANGARS

are needed all over the world—



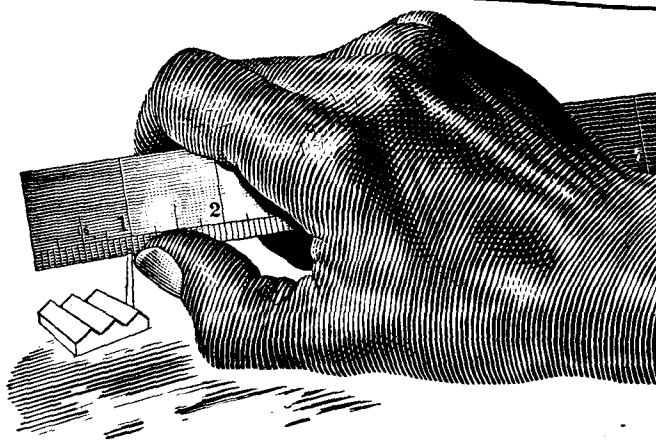
and S.M.D. is supplying them!

S.M.D. Aluminium Hangars are permanent buildings, directly competitive in cost with steel or concrete... plus STARTLING erection times... and, of course, no painting is required. Let us send you details.

ALMIN LIMITED · FARNHAM ROYAL · BUCKS
FARNHAM COMMON 595

Aluminium Hangars are built by S.M.D. ENGINEERS of Slough, the construction company of the Almin Group.

"If it's Aluminium - ask Almin!"



Too small? .. Are you SURE?

Size is illusory. But we don't want to get metaphysical—we just want to get your business. In Hollerith Punched Card Accounting, the yardstick is not physical size, but number of transactions your counting house handles in a week—a year? We wager that before you'd recovered from the shock you'd have lifted the receiver and asked us to call—to see whether (and how) Hollerith could help you. This move would cost you nothing.

**THE BRITISH TABULATING
MACHINE COMPANY LTD**

Head Office:
17 Park Lane, London, W.1
Telephone: REGent 8155
Offices in all principal cities in Great Britain and Overseas

HOLLERITH
Electrical PUNCHED CARD
ACCOUNTING

E/532/135

THE ECONOMIST, JULY 4, 1953

23

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.

Breaking Mr Reed

Washington, D.C.

THE Eighty-third Congress has been in session since the beginning of January and has every intention of going into recess in a month's time until next January. Congress seldom pulls itself together for the passage of legislation until the last possible moment but, even so, this Congress has more important measures waiting in the ante-room—measures which the Administration had earnestly hoped to see translated into law—than it can possibly digest during the remaining month. Apart from financial legislation, the Reciprocal Trade Agreements Act has still to pass its final stages in the Senate, where there will be a stiff debate on the composition of the Tariff Commission; the Customs Simplification Bill has barely started through the legislative mill; and revision of the Immigration Act and the legislation to permit the entry of 240,000 Displaced Persons are hardly even contemplated as a possibility for this session, despite the President's renewed appeal this week for their consideration. The situation has been made no better by the fact that illness has forced Senator Taft to relinquish the leadership of the Senate to Senator Knowland, who has none of his sense of timing and knowledge of procedure.

This lagging progress in Congress is not solely the fault of the Administration, although the President's policy of maintaining the most cordial relations with his legislative leaders has prevented him in most cases from deploying his enormous popularity in the country to create a greater sense of urgency in Congress. Nor are the delays solely the fault of the Republican leaders; the Democratic "filibuster" against the offshore oil Bill consumed four weeks of Senate time in the spring, and the opposition of many Democrats and some Republicans to the cuts in the Air Force budget created an unexpected road-block. No Congress since the early days of the New Deal has probably, except in the emergency of wartime, passed more than half or two-thirds of the legislation which the Administration has requested. In part this is the fault of the workings of the congressional system itself, a fault which has been dramatically illustrated by the fact that one man—a Horatius in a blue suit and spectacles—has been able to hold back the legislation continuing the Excess Profits Tax until the moment of its expiry, against the combined forces of the President, the Republican leadership in Congress, and a large section of American opinion.

For thirty-five years the farmers of four counties in upstate New York have returned Mr Daniel Reed to the House of Representatives as their Congressman. For thirty-four years Mr Reed made no mark on American history at all, apart from a mild interest in the Inter-

Parliamentary Union, although he endeared himself sufficiently to his constituents to make it impossible for the Dewey machine in New York State to replace him with a more electrifying burgess. But in his thirty-fifth year, when a Republican majority was returned to the House, he became by right of seniority the Chairman of the Ways and Means Committee which has been, almost since the inception of the Congress, the committee responsible for revenue legislation. Like many other Republican Congressmen, Mr Reed had told his constituents last autumn that a Republican Administration would mean a reduction in taxes, neglecting to notice that his party's presidential candidate was entering a caveat in his campaign speeches that a balanced budget must come first.

Mr Reed introduced the first Bill of the session, to reduce personal income taxes on July 1st this year instead of on January 1st next year, and he began to conduct guerrilla warfare against the Republican leaders in the House when they refused to take action on it. But his honest faith was shaken to the core when, in the middle of May, the President announced his revised budget and declared that not only could there not be a reduction in personal income taxes before the beginning of next year, but that the Excess Profits Tax, which was due to expire on July 1st, would also have to be extended for another six months. The President and the Secretary of the Treasury both made it plain that they considered EPT to be a bad tax but that it was essential, to prevent the deficit rising above \$5.6 billion in the fiscal year which began this week.

★

At that point Mr Reed decided to demonstrate how great are the negative powers of the chairman of a congressional committee. The positive powers of a chairman, to promote a piece of legislation, are limited: if he favours a Bill he can order extensive and early hearings, he can present the evidence of witnesses in good light and he can urge it upon his fellow committee members; but their vote is decisive. His negative powers, however, are enormous: by long usage he alone can call for hearings on a Bill and can, therefore, postpone them indefinitely; and he alone can order, or refuse to order, the final vote by which the Bill is reported out of committee to the floor of the House.

Both these tactics Mr Reed used. For many weeks he refused to order hearings on the Excess Profits Bill; when he did at last order them, under pressure from his political superiors, he seized on the opposition to the tax of the National Association of Manufacturers to show "that the Administration had failed to prove its case."

On June 20th President Eisenhower asked Mr Reed to step up to the White House for a little chat, from which he emerged quite unpersuaded and quite unruffled, although he did suggest a compromise date of September 30th, for both the expiry of EPT and the reduction in income tax, which the President rejected. Two days later the President, abandoning the dignity of his office, telephoned to Mr Reed, asking him to uphold the Administration and his party. Mr Reed was unmoved. It was a matter of principle, he explained, that election pledges should be fulfilled and taxes reduced; why, even Britain could reduce taxes, and if "socialistic" countries could do it, why not the United States? He sat like Humpty Dumpty (whom he somewhat resembles) on the Bill and all the President's horses and all the President's men could not dislodge him.

Eventually, with June 30th coming steadily closer, the White House and the Republican leaders in the House decided on extraordinary measures. Having failed to find a majority in the Ways and Means Committee for reporting out the Bill, the Speaker of the House, Representative Martin, and the Republican majority leader, Representative Halleck, obtained from the Rules Committee a resolution to the effect that the main body of the House could consider and vote on the Bill, without waiting for the Ways and Means Committee to report it out. In the end this unprecedented step did the trick. When the House reassembled on Monday it became clear that the majority of the members of the Ways and Means Committee were prepared to abandon their obdurate chairman and, on being assured that they would vote for EPT, Mr Halleck promised to drop the bludgeon of the Rules Committee's resolution. With great reluctance Mr Reed decided to call his committee together for July 8th.

Never before can so much naked force have been applied to the passage of such an insignificant piece of legislation, for the Excess Profits Tax can contribute only something over one per cent of the annual revenue. Mr Reed stood his ground to the last, and won considerable applause not only from those who agree with his principles of taxation, but also from the Democrats who, while supporting the tax, were not deeply sorry to see the Republican leadership in such grave embarrassment. But Mr Reed may have done some disservice to his own cause, for public opinion has had a clearer glimpse than for a long time of the Humpty Dumptyish powers of committee chairmen—"the disintegrate ministry" which governs Congress, as Woodrow Wilson called them. There may possibly as a result be a call for some changes in a system whereby an elderly gentleman representing some three hundred thousand rural dwellers can, merely by virtue of age, occupy a position from which he can defy a President elected by thirty-three million voters.

Frozen Asset

FROM A SPECIAL CORRESPONDENT

THE American people in 1952 spent about \$64 billion on food, of which \$875 million went on quick frozen products. It is doubtful whether even Mr Clarence Birdseye, when he launched the first company for processing and selling quick frozen foods with a capital of \$20,000, could have foreseen such a growth for the industry. That was in 1923, and he was just back from Labrador, where he had found that fish which was quick frozen was much better than that which had merely been kept in cold storage. Five

THE ECONOMIST, JULY 4, 1953

years later the first low temperature retail show case made its appearance. Today no tiny village grocer is without quite a large one, and there are about 5,000,000 home deep-freezers. It is estimated that between 11 and 12 per cent of all homes with electricity possess one. It has, indeed, become so fashionable to put everything into the freezer that last year the Department of Agriculture sent out a warning that deep-freezing was not a suitable way of preserving fur coats and winter woollens from moth.

The home deep-freezer usually looks like a large white coffin and is kept in the cellar or storage room. It differs from the ordinary American refrigerator in having only one very low temperature. The newest refrigerators are providing larger storage space for frozen foods, but in most cases they do not take anything as big as a turkey. Before the coming of the home freezer, the habit in rural areas was for people to hire a locker in a deep freeze storage plant. Into this locker the farmer, or a group of neighbours, could put a whole side of beef at the right time of year. The locker business has fallen off only slightly since the home freezers appeared, presumably because the deep-freezing habit is growing so rapidly. But the trade paper which used to be called *Locker Management* is now *The Frozen Food Center*.

In its early days, the industry had not only prejudice to combat—cold storage goods had a poor reputation—but also it had to solve the problems of packaging, keeping the food at zero temperature, and delivering it over long distances to the retailers, who in turn had to store it all the right temperature and get it to the consumer. Freezer space is still the limiting factor in a country where the climate in most regions makes refrigeration a necessity in summer. About 22 per cent of the public refrigerated warehouse space is now devoted to "sharp freeze," the temperature of zero or below needed to preserve flavour and freshness.

Even when enough storage space and refrigerated transport are available, there is still the risk of a power failure and of consequent defrosting. Several states, led by California, would not allow the sale of quick frozen foods until it could be shown that they become uneatable before they become dangerous. The National Association of Refrigerated Warehousemen now think they may have found a way of detecting defrosting, when it has occurred, in a new type of wrapping which reacts to water. One suggestion is that the wording on the package might start out "Not Thawed" and end up "Thawed" if anything had gone wrong.

It is hard to compare the cost of frozen packaged foods with the fresh variety. Obviously it is cheaper for farm families to eat what they grow as it ripens. But it is also a great saving for them to put their surplus produce into a locker or a deep freeze for use at the lean times of year. Many of the big super-markets have special bulk purchasing days for those who wish to restock their freezers and do not grow their own food. Even for those who do not possess a freezer and must buy prepared frozen foods there is a definite economy, in most cases in cost, as well as in time and labour. A 12-ounce package of frozen peas is the equivalent of two pounds of peas in the pod. When the cost of going to the shop and the time taken preparing the vegetables have been accounted for, the saving is quite big. Both the freezer manufacturers and the food packagers are stressing cheapness.

A great deal is being made of the Bureau of Labour Statistics figures, which show that, while between Decem-

THE ECONOMIST, JULY 4, 1953

ber, 1950, and December, 1952, the cost of living rose 6 per cent and the cost of all foods 7 per cent, the price of frozen fruits and vegetables declined 12 per cent. The poor tired housewife is being persuaded that if she gets to work and bakes a whole mass of pies and puts them in her freezer she is making a great saving and that all leftovers should be made into something or other and put there too. That she sometimes forgets all about them, or anything else that she has in the contraption, is shown by a new batch of advertisements for deep-freeze slates on which an inventory can be kept. What effects deep-freezing has on food values remains uncertain. But in response to many requests, all the allied industries are financing a university research project to find out.

Despite all its growing pains the quick frozen food industry has been a godsend not only to the housewife, but also to the economies of food-producing states. The New England fisheries benefit because their catch goes straight to the freezing plants. Florida's frozen citrus industry has grown to fabulous proportions, the frozen concentrate proving much more popular than the tinned juice. California is relying more and more on its fruit and vegetables. In 1944 it was responsible for 8 per cent of the national production of fruit and 17 per cent of that of vegetables; today the figures are 20 per cent and 26 per cent. The poultry raising states are also doing good business with their "cut-up-and-ready-to-fry" packages.

Concentrated citrus juices and vegetables lead the industry with 800 million pounds a year each. Fruit comes next, then poultry, and fish and shell fish. The butchers' unions are doing their best to stop any big development in the meat line, but already there is a choice of "cube steaks, steakettes, sandwich steaks, steakees, buttered and unbuttered beef steaks," to mention some of the beef alone.

There is nothing that the refrigerated warehouses will not tackle and, though dog food is now a staple packaged product, moose food is a new one. A firm in Milwaukee, Wisconsin, experimented for their zoo and put the leaves and branches that moose prefer in boxes which they stored at zero. The zoo authorities have to collect a box a day as the material deteriorates rapidly after defrosting, but they are now the proud possessors of a moose offspring, a very rare occurrence in captivity.

Pre-cooked frozen food has also come to stay. But in the opinion of the *New Yorker*:

on the whole, considerable progress will have to be made before the quality of frozen prepared dishes catches up with that of other frozen products. It is high time that cooks, as well as refrigeration experts, entered the field, for at present it gives the impression of being dominated by people who, unable to get anywhere selling television sets, are trying their luck at freezing stews and pies.

This is a pretty fair comment, though the field is now so big that some of the dishes are very good indeed. Oddly enough, fried potatoes are excellent and a tremendous labour saver. They are spread while still frozen on a baking sheet in a hot oven and emerge at the end of twenty minutes crisp and golden. Chicken and meat pies are now being put out by about fifteen firms and some are at least edible. Cooked shrimp, fish cakes, chicken "à la King," fried egg plant, whipped and puff potatoes, waffles, pizzas, blintzes and eggs "Fu Yong" can all be bought ready to heat. The "all-on-one-dish" meal is also here to stay and airlines and factories are serving them. Meat and vegetables all come cooked and frozen on thin aluminium trays with low partitions. The outside wrapping is removed and they are stacked into specially fitted ovens for a few minutes before serving.



Banking circles the globe

BUSINESSMEN with foreign interests need a bank whose services circle the globe. The National City Bank of New York, with 56 overseas branches and banking correspondents in every commercially important centre, is well equipped to offer such services.

The London branches of The National City Bank are staffed by men who are experienced not only in British banking but also in the financing of overseas trade. They are, also, uniquely equipped to advise on trade with the dollar countries.

Wherever your interests lie, the worldwide organization of The National City Bank is at your service.

THE NATIONAL CITY BANK OF NEW YORK

Incorporated with limited liability under the National Bank Act of the U.S.A.

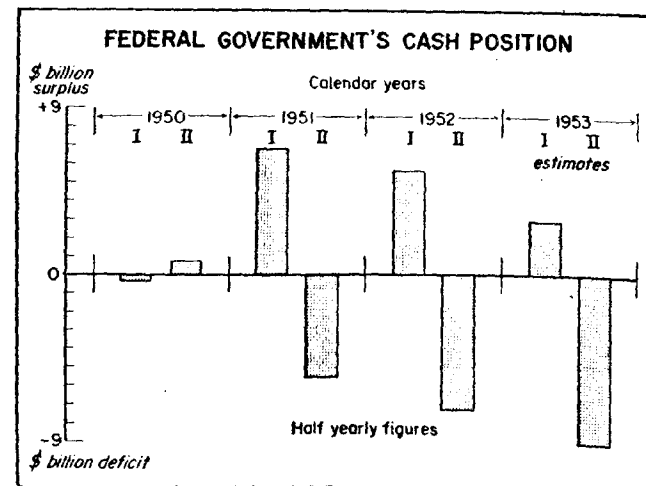
HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES—CITY: 117 OLD BROAD STREET, E.C.2. WEST END: 11 WATERLOO PLACE, S.W.1

American Notes

More Room for Credit

THE 1953 fiscal year ended on Tuesday with the federal government's books showing a deficit of \$9.4 billion, the most it has ever been in peacetime and more than had been forecast even recently. The actual shortfall of cash receipts below disbursements will, however, be substantially less. The failure of tax receipts to live up to Mr Truman's promises explains why the deficit was \$3.5 billion more than he had forecast in January. The inflationary effects of such a deficit, and of the further deficit which is coming in the new fiscal year, 1954, at a time when the country's resources are fully employed, should do much to counter any deflationary tendencies that may develop during the next few months. The deficit has already led to a relaxation of the squeeze which the Federal Reserve Board has been putting on credit ever since the new Administration took office.

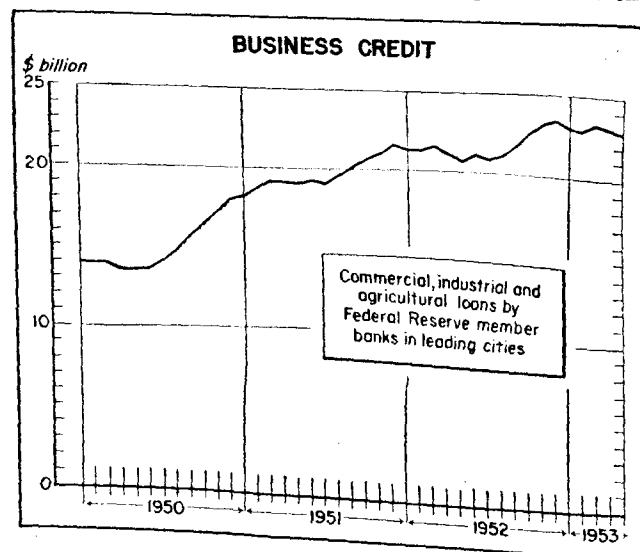


For between now and the end of the year, the period when the government always spends more than it gets, the Treasury will need to borrow about \$9 billion. In addition \$21 billion worth of government securities fall due and will have to be refunded. All of this will come at a time when the credit requirements of business normally rise sharply, with loans needed to cover the new season's crops and the stocks being laid in for the Christmas trade. The knowledge that these new demands for credit were about to be forced into a money market that was already painfully tight explains the sharp protests of politicians and businessmen against the government's restrictive credit policy. But last week's action of the Federal Reserve Board was not the concession to these protests that at first sight many thought it to be, but a proof that the board was as well aware as were its critics that, if it allowed credit to become any tighter, there was a danger that the economy would be strangled.

For some weeks the Federal Reserve authorities, by buying Treasury bills and certificates, had been increasing bank reserves, and thus the supply of credit. But last week they suddenly opened the credit door much more widely by

THE ECONOMIST, JULY 4, 1953

reducing the reserves which banks belonging to the Federal Reserve System must hold. From July 9th, banks in New York and Chicago will be required to keep in reserve only



22 instead of 24 per cent of the amount of their demand deposits; in other cities the requirement was cut from 20 to 19 per cent and for country banks from 14 to 13 per cent. This releases over \$1 billion and in effect adds nearly \$6 billion to the available supply of loanable funds, exactly the amount which the government intends to borrow later this month. Because the demand for loans is so great, the Federal Reserve's move is unlikely to drive the interest rate

THE First SINCE 1784

The United States had only just become a sovereign power when in 1784 the First National Bank of Boston was founded. The bank has grown with the country — indeed helped the country to grow — and maintains important branches in Argentina, Brazil and Cuba as well as a wholly-owned foreign banking affiliate in New York City.

America's oldest chartered bank offers traditionally courteous and comprehensive financial service to bankers and concerns engaged in overseas trade with North and South America.

The FIRST NATIONAL BANK of BOSTON

Head Office: BOSTON MASSACHUSETTS • In New York: FIRST OF BOSTON INTERNATIONAL CORPORATION, 2 WALL STREET • Overseas Branches: ARGENTINA • BRAZIL • CUBA
Special Representative in Europe: 146 LEADENHALL STREET • LONDON

INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.

THE ECONOMIST, JULY 4, 1953

down for more than a short time, in a few places, but it will prevent the rate from rising distressingly high, as it might otherwise have done.

Civilian Command

THE House Appropriations Committee which approved and even slightly increased the Administration's cuts in funds for the Air Force, over which there has been such a storm, made much of the "chaotic fiscal practices" and "administrative hodge-podge" in the military establishment. The widespread belief that the Pentagon is an administrative monstrosity was one reason why the enemies of the President's plan to reorganise the Department of Defence mustered only 108 votes, instead of the 218 that would have been needed to defeat it in the House. As there was no organised opposition in the Senate, the plan went into effect on June 30th.

The fire of the critics was concentrated on the provisions enlarging the responsibilities of the chairman of the Joint Chiefs of Staff. These, they allege, are a move in the direction of a German-style General Staff and a military dictatorship. This is ironic, for the purpose of the plan is to strengthen the control of the civilian Secretary of Defence and of the civilian heads of the services by clarifying lines of authority, and to relegate the Joint Chiefs to the planning and advisory role for which they were originally intended.

What is objected to under the new arrangement is that the chairman, instead of the Chiefs of Staff jointly, will now control the work and personnel of the Joint Staff, a group of 210 officers who prepare the plans from which the Joint Chiefs make their recommendations to the President. The aim was to relieve the Joint Chiefs, who are the military heads of the three services, of distracting detail, and also to make the Joint Staff more independent than it has been as the creature of three jealous services.

The command responsibilities which the Joint Chiefs have exercised are transferred to the Secretary of Defence; so are the functions of the Munitions Board, the Research and Development Board and Defence Supply Management, which are now abolished; the Secretary is to have six new assistant secretaries to take over duties formerly spread about among advisory boards and committees. These changes should not only promote efficiency, but also serve the President's insistence that no function of the military establishment ought to lie outside the Secretary's authority and control. It is not likely that the steadily growing authority of the Defence Secretary is popular with the services, particularly when he is as controversial a figure as Mr Wilson. But General Vandenberg's swan-song, his open defiance of Mr Wilson on the Air Force cuts, must have confirmed the President's determination to reassert civilian control.

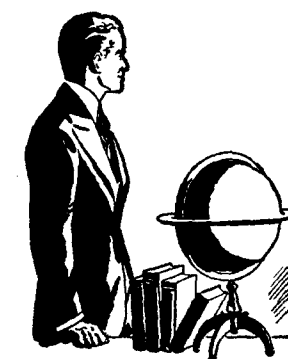
The Bookworm Turns

THE President's innocent general remarks about the iniquities of book-burning, made before he knew that a panicky purge of American information libraries overseas

was the State Department's response to Senator McCarthy, have been re-echoed tenfold by the American Library Association. In conjunction with the American Book Publishers Council it has issued a manifesto against censorship of anything except obscenity and it has come resoundingly to the defence of the foreign library programme, denouncing the "clearance" of authors as irrelevant and offensive. The President, though he refused as always to name names, has been encouraged to press his advantage; he has warned the association against the "zealots who would defend freedom by denying freedom's friends the opportunity of studying Communism—its plausibilities and weaknesses." This is hardly the loftiest ground on which to justify freedom of inquiry, but it does at least protect it.

A spokesman of the State Department itself has admitted that the book purge has discredited America abroad, though Mr Dulles, who was understood to have drawn up one of the six directives sent out recently, but who has denied all responsibility, considers it is the result merely of excess of zeal on the part of librarians. No doubt it was this which prompted one library to throw out Mr Whittaker Chambers's "Witness," though Senator McCarthy calls it sabotage. The new directive which is being drawn up by the information authorities will place primary emphasis, not on whether the author is a Communist or has refused to answer questions about Communist affiliations, but on whether the book itself will further the purposes of the information programme abroad.

What should these be? Mr William Benton, who ran the information programme for two years, says the purpose



WORLD-WIDE BANKING NETWORK

From the London and New York offices of The Hanover Bank, a world-wide network of correspondent banks is equipped to serve those engaged in international commerce.



THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E. C. 2

NEW YORK . . . 70 Broadway

of the libraries was originally conceived as being to give the foreign reader a balanced picture of American achievements and the main current of American thought; they were to stand as evidence of America's literacy and of its intellectual vigour and variety, as weather maps of a free intellectual climate.

Few Americans, not even Mr Benton, and certainly not the President and Mr Dulles, think that American libraries abroad should help to teach Communist doctrine at the taxpayers' expense, even though they might all agree that Americans at home should have access to Communist books. But this was the only ban which the President, at his press conference, felt should be imposed on the foreign library list, if an honest picture of America is to be presented. So far, however, there has been no unequivocal order to this effect and, even if the books are not for burning, Senator McCarthy can pretend not to have heard of it.

New Men for Old Jobs

MR JOHN L. LEWIS had no need to pour out his wrath on the heads of the Senate in order to prevent the confirmation of Mr Tom Lyon as director of the Bureau of Mines, for Mr Lyon did an amazingly good job of prevention for himself. In the first day of hearings on his nomination he made no secret of the pension, revocable at any time, which he receives from the Anaconda Copper Company, with which he would be dealing in his new work, nor of the fact that he had no faith in the federal mine safety law which it would be his duty to administer. At this his shocked friends advised him to withdraw from an appointment for which he was so blatantly unsuited.

Why this had never been realised in the two months during which his qualifications and record had been under consideration at the White House is a mystery that provides yet another example of the tactlessness which the present Administration has sometimes shown in its choice of men for jobs. But it must be admitted that when the right man does seem to have been chosen the Senate often thinks differently. Mr Lewis Strauss, the new head of the Atomic Energy Commission, has indeed been confirmed quickly, but this is probably as much because of his known reluctance to share atomic secrets with America's allies as because of his great experience and knowledge of atomic matters. But Mr Paul Nitze, of the State Department's policy planning staff, is, it seems, no longer to become Assistant Secretary of Defence for international affairs, apparently because Senator McCarthy has threatened a repetition of last spring's struggle over the appointment to the Moscow Embassy of Mr Bohlen, another man who had been directly associated with the foreign policy of the Democratic Administration. Mr Nitze is a Republican, but that is not enough to shake Mr McCarthy's determination that no "hold-over" from the previous Administration, however able, shall be allowed to remain in a policy-making post.

The President, who certainly recognises the value of continuity, particularly in foreign affairs, obviously does not go as far as the Senator, but he has just taken another step which will make it easier for the Republicans to put their own men in such posts. When the maze of "classified civil service," where employment is safeguarded, of "veterans'

preference," which safeguards exservicemen's employment even more, of the new Schedule C for policy-making and confidential jobs, of Schedule B and of Schedule A—when all this has been disentangled, it appears that the President's two orders, one in April, one last week, have opened up a large number, running into thousands, of government jobs of all types to Republican patronage. But even so, over 80 per cent of government employees still remain under civil service rules.

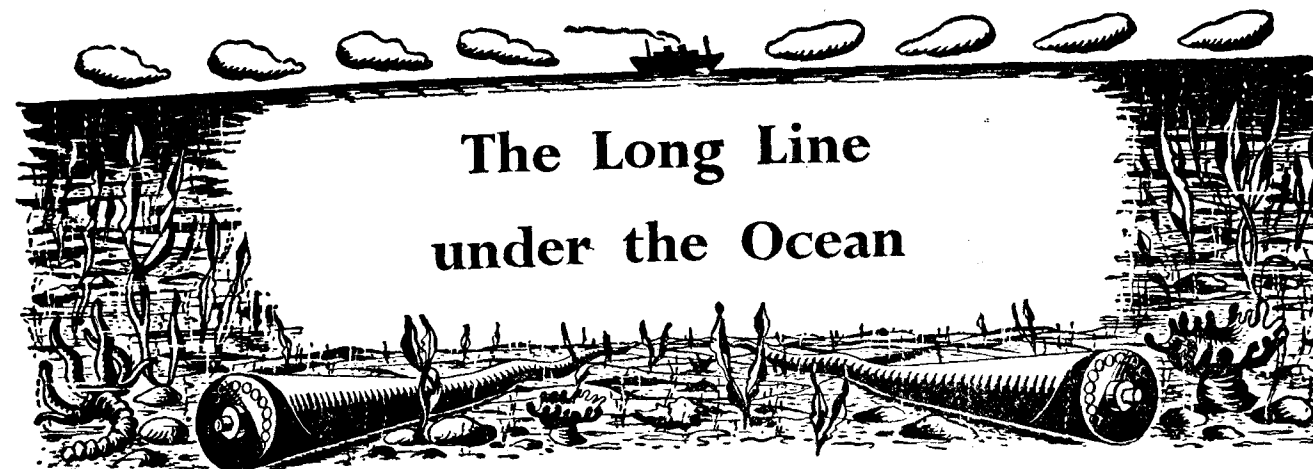
The Postman Knocks Again

SENATOR MCCARTHY's attack on his old enemy and courageous critic, Senator Lehman, for "gross abuse" of the franking, or free mailing, privilege accorded to Congressmen was particularly brazen and audacious. Galling as it must have been to find the Senate Folding Room preparing for posting copies of a speech Mr Lehman made in New York on "Creeping McCarthyism," Senator McCarthy must have known his attack would revive the charge that last year he himself sent out, at the taxpayers' expense, advertisements of a book he had written. Mr Lehman at least had his speech reprinted at his own expense instead of qualifying it for free distribution in the customary way by inserting it in the *Congressional Record*.

But abuse of franking, and indeed Congressional franking as a whole, at \$1.7 million a year, is not a big factor in the Post Office deficit. Mr Summerfield, the new Republican Postmaster, who is determined to end a tradition of red ink going back a hundred years or more, would be glad if the cost of all government mailing, amounting to \$34 million a year, could be borne by the senders; it might also induce economy. But this is a drop in the bucket of a deficit which was nearly \$800 million in the year which ended last June and which, with a cut of \$150 million in the estimates, will still be \$600 million in the next twelve months.

The Post Office will be relieved of a charge of \$80 million a year, which it should not have to bear, if the President's plan to transfer the airline subsidies to the budget of the Civil Aeronautics Board is not rejected by Congress. Domestic parcel post rates are going up, and so is international parcel post. The real money losers, however, are second and third class mail, and on these only Congress can authorise increased charges. Like his Democratic predecessor, but perhaps with more success, Mr Summerfield has applied for permission to raise rates in both categories.

Congress, however, is very jealous of its power to control postal charges, although one of its own committees has concluded that it is no longer able to do so efficiently. And it is sensitive to the complaints of newspaper and magazine publishers and of those who post circulars and catalogues, who accuse the Post Office of crediting too heavy a share of its costs to such second and third class mail and too small a share to first class, or letter, mail. This may be why Mr Summerfield proposes to raise \$150 million from a one cent increase in the rate for letters moving between cities and only \$71 million from increases on second and third class mail. But even this concession is unlikely to induce Congress to act before it adjourns this month.



ACROSS THE DEPTHS of the Pacific Ocean in one single section 3,467 nautical miles long, stretch two cables from Bamfield, on Vancouver Island in British Columbia, to Fanning Island near the Equator. These are the longest cables in the world. Yet they form only a very small part of the 150,000 nautical miles of submarine cable owned by the world's biggest integrated system of overseas telegraphic communications, Cable & Wireless Ltd.

From Fanning the cable circuits continue to the Fiji Islands, New Zealand and Australia and connect with the network to Asia, Africa and the Americas, and to Europe. Between those places the cables go, while wireless circuits give extra and alternative coverage. Together they connect

the units of the Commonwealth and the Crown Colonies, and they extend to many foreign countries where the Company holds concessions.

In 74 countries, Cable & Wireless Ltd. provides facilities for international messages to be sent in security and with all possible speed. A staff of nearly 9,000 mans the offices and stations. Eight cable ships are on constant patrol to make repairs or replacements to the cables.

Maintaining present standards and keeping ahead with new developments are obligations that are not made easier by the rising costs of labour and materials. The Company pursues its two-fold aim—reliable service to the telegraphing public, supremacy for Britain in international communications.

Part of Britain's Business...

CABLE & WIRELESS LIMITED

Electra House, Victoria Embankment, London, W.C.2



Flying has taught BUSINESS MEN IN CANADA TO ASK . . . how many HOURS are you away?

DISTANCES between some thriving commercial cities in Canada are greater than across the Atlantic to Britain. No wonder the Canadian business man plans his business trips on a basis of flying hours! Canada's vast wealth in minerals, oil and wheat builds the nation-wide demand for more goods. There's a warm welcome in Canada for British business men—especially when they come by Canada's own Air Line. Remember, personal contact pays dividends.

Ask your Travel Agent to book you by TCA—across the Atlantic and to anywhere in Canada on the North American Network.

FLY

TCA

MAPLE LEAF SERVICE

KNOW YOUR CANADA?



BAY STREET, home of the famous Toronto Stock Exchange, one of the four largest in the world. Toronto is less than 2 hours by TCA from Montreal and you can book right through from Britain.



TRANS-CANADA

Overnight to Canada every night

Air Lines



INDUSTRIAL SERVICE



**"I shall get
a rocket for this,"**
sighed Guy Fawkes.

"What I wanted to do was to heat the place, not blow it up. But look at the fuel I had to work with! Now, if only I'd had oil fuel—and reliable advice on how to use it from Shell-Mex and B.P. Ltd.—I should have had everything under control. As it is, I suppose they'll be guying me for centuries as a supreme example of Uncontrolled Heat."



**CONTROLLED
HEAT
WITH
OIL FUEL**

The World Overseas

Canada's Election Prospects

FROM OUR OTTAWA CORRESPONDENT

ALL the Canadian parties have now laid down the general lines of their appeal to the electorate for the federal election which is to be held on August 10th. The parties are four, two major and two minor, and none is finding it easy to stir up any great measure of public interest in these long, relaxing summer days when farmers are busy and most other people are primarily concerned with country cottages and lakeside recreations.

The date of the election, at the height of the holiday period, is one of the first bones of contention. The Prime Minister, Mr St. Laurent, says that because of the Coronation he had no alternatives except August and November; and he bases this contention on the view that the compilation of voters' lists should not be done during the holiday season since it depends on people being at home. But the actual voting, he argues, can better take place in a holiday period, since it is then up to each voter to come home and vote. The suppressed premise of this argument, it may be suspected, is that the Government did not want to leave the election till later in the year because of the risk that economic conditions may then be showing more signs of slackness and that the crops may have caused disappointment amongst farmers.

One other incident, quite apart from the official party appeals, has given rise to a good deal of political feeling. This was the new appointment to the Cabinet which Mr St. Laurent announced simultaneously with the election date. Traditionally every province must be represented in the federal cabinet. The representative from Newfoundland since it joined the Confederation in 1949, Mr Gordon Bradley, has been appointed to the Senate, and his place in the Cabinet has been taken by Mr John W. Pickersgill, who has never been a member of Parliament and has never hitherto resided in Newfoundland. But Mr Pickersgill is standing for election in Mr Bradley's old seat, Bonaville-Twillingate. Mr Smallwood, the energetic Liberal premier of Newfoundland, has assured friends that he will have no difficulty in getting him elected.

Mr Pickersgill has long been one of the most influential figures behind the scenes of Canadian politics. He joined the civil service early in Mr Mackenzie King's regime and became, with various official titles, a sort of *chef de cabinet* to Mr King. Mr St. Laurent found him just as indispensable. He played a very important part in the organisation of the latter's only previous general election campaign in 1949. Later, however, he was appointed to the office of Clerk of the Privy Council and Secretary to the Cabinet, in suc-

sion to Mr Norman Robertson, now Canadian High Commissioner in London, there has been some controversy about whether the political duties which were unexceptionable in the Premier's executive assistant could properly be performed by the Clerk of the Privy Council. This controversy has been ended by the appointment of the Cabinet secretary to a Cabinet seat; and now the ground of controversy is whether it is desirable in a parliamentary democracy for a civil servant to step straight into the Cabinet before even being elected to the House of Commons, and then to be given what is believed to be a very safe seat.

No Rash Promises

This incident, however, is only on the fringe of the election campaign. The formal appeal of the Liberal party to the electorate is based on the claim to provide "good government"; and the claim is supported by the experience of the last 18 years during which the Liberal party has been in office. Mr St. Laurent, whose usually quiet and persuasive personality represents one of the Liberals' chief assets, refuses to make promises. "We shall do as well for you in the future as we have in the past"; this is the main burden of his case.

The other major party is the Progressive Conservatives, which last held office (without the "Progressive" part of its title) under the late Mr R. B. Bennett in 1930-35. It is now led by Mr George Drew, who captured only 41 seats (against 180 Liberals) in the last election in 1949. This party has a 16-point manifesto, of which Point 1 is the chief and the most controversial. It is a pledge to reduce taxes by \$500 million, one-ninth of the present budget. Possibly more important than the other 15 points is the party's contention that the Liberals have been too long in office and have grown tired, idle and arrogant. When Liberals reply to Point 1 that it is quite impossible to take \$500 million off taxes, Mr Drew answers that *for them* it certainly is impossible but only because they are tired and incompetent.

The two minor parties are the Co-operative Commonwealth Federation and the Social Credit party. Each had about a dozen seats in the old Parliament. Most of the CCF seats came from Saskatchewan and all the Social Credit seats from Alberta; governments of the respective parties are firmly entrenched in these two prairie provinces. Social Credit has also recently won control of the provincial govern-

ment of British Columbia, and it may pick up some additional federal seats there. Its appeal is not based, primarily, if at all, on the Social Credit theories of Major Douglas. It was a party of western revolt, and its principal leaders, including the Premier of Alberta, are regular Bible preachers. Even now the party seems to rest as much on its own peculiar brand of religious evangelism as on its free enterprise economics and its very right-wing political philosophy.

The CCF party is that extraordinary political phenomenon, an attempt to reconcile a socialist labour movement with a farmers' party. At the moment it appears stronger on the farmers' than on the labour side, and a revival of strength outside the Saskatchewan farmers may depend on a deterioration of economic conditions. Most of its appeal in the present election is based on the warning that Canada's economy is in danger, particularly because of the decline of sterling markets, and on the contention (which is largely true) that it is the only party which really believes in national health insurance.

In essence, therefore, the election is a struggle between the quite widespread feeling that "it is time for a change," and the opposing feeling that even if the Liberals have been in for a long time they can still provide better government than the Conservatives. Mr Drew's problem is not so much to persuade Canadians that a change would be healthy, as that his party—which is the only other possible government—would be a good one to provide a change.

The Modern Slavers

THE news that an international committee has laboured for two years to establish the fact that many countries use political prisoners as slaves may sound, to the casual newspaper reader, like an unusually needless exercise. The man in the street has little doubt that slave labour is a fact. Yet he has equally little idea of its scale, and its very existence is hotly denied by the governments concerned. Such denials inevitably carry some weight when the accusations are levelled by refugees or by governments politically opposed to the accused regime.

Real value, therefore, must be attached to the carefully objective and restrained report compiled by a United Nations committee composed of three eminent individuals representing three continents. Sir Ramaswami Mudaliar of India, Hr Paal Berg, former president of the Norwegian supreme court, and Sr Sayan, former foreign minister of Peru, issued their 620-page report on June 24th, almost two years after their appointment. They were instructed by the UN Economic and Social Council to study the extent to which forced labour is used not only for political repression but also as an economic weapon of governments.

These "three wise men" were faced at the start by the fact that during public sessions of the Council no less than 23 nations had been accused of practising forced labour. The 23 included Britain, Australia, France, South Africa, the United States, Eastern Germany, the Soviet Union, Czechoslovakia and Communist China. But the committee was required to consider other countries, too. In fact, it sent a brief questionnaire to all governments, whether members of Uno or not, asking for information about their relevant laws. Forty-eight governments replied;

those that did not included the Soviet group, thirteen of the Latin Americans, Persia, Egypt, Portugal and Pakistan. As to the 23 accused, each was supplied with copies of the allegations and of supporting documentary evidence where it existed, and asked to comment. The Soviet group and some of the Latin Americans declined to comment; indeed, the Soviet group boycotted the committee's whole activity.

In fact, while the committee was being denounced by Moscow and Prague as a tool employed solely to calumniate the Communist nations, it was painstakingly probing the truth of a long series of sweeping accusations which those nations themselves had made, in almost every case without any supporting evidence. For example, a Soviet spokesman declared that the British Control of Engagement Order of 1947 had "deprived the British workers of all their rights." The committee, however, found that only 15 directions to work were issued under this order in 1947, 14 in 1948, and none in 1949, while the order itself was revoked in 1950. Poland alleged that 20,000 Africans had been subjected to forced labour in one year in the colony of Gambia. A Byelorussian delegate described the Tanganyika groundnut scheme as having been "based entirely on forced labour." These allegations dissolved like mist on closer inspection, as did charges concerning eight other British dependencies, France, the United States and half a dozen Latin American countries.

But the committee in no way set itself to whitewash the non-Communist world. A scrutiny of Portuguese law revealed that Africans who went to work on the island of San Tome, albeit voluntarily, were liable to find themselves in a position akin to one of forced labour. In Spain, the committee found that very broadly defined political offences were liable to severe punishment involving forced labour. A system of forced labour of significance to the national economy was judged to exist in South Africa, in the indirect sense that most of the African population was channelled, by discriminatory laws, into agricultural and manual occupations in which many of the Africans were strictly supervised by the authorities.

"Stupendous Work" in Russia

The committee, indeed, went further. Its examination of the position in Malaya, Kenya, the Belgian Congo, Bolivia, and Nauru led it to conclude that in each case existing regulations might, if extensively applied and broadly interpreted, lead to the creation of a system of forced labour. The evidence did not suggest that such a system existed in these territories, but the possibility could not be ruled out. The same warning was given as regards vagrancy laws in some states in the United States.

All this, however, was overshadowed by the committee's findings with regard to the Soviet bloc. When studying these countries, the committee carefully refrained from accepting any estimates of the size of the slave labour population, reports on the location of Soviet prison camps, or evidence of mass deportations. It applied itself essentially to a study of existing Soviet and satellite laws and administrative practices. As to the Soviet Union itself, official publications clearly established the fact that persons suspected of political errors are sentenced to forced labour, often without any right of appeal or of representation by a defending counsel, and sometimes by an administrative organ instead of a court. They further established that

most of those sentenced are sent to labour camps or colonies either in remote and undeveloped areas or at the sites of big mining and construction projects. As one Soviet publication puts it, "the stupendous work done by the corrective labour camps is of enormous importance to the national economy."

The committee's finding that in the Soviet Union forced labour is used not only for political coercion, but also as an important element in the national economy, is applied also to Bulgaria and Czechoslovakia. As to Poland and Hungary, the committee did not find the evidence conclusive, but it held that the laws of these countries gave their governments power to employ forced labour as both a political and an economic weapon. In Rumania, it was established that forced labour was in fact used for political repression, and could also be made to serve economic purposes. The committee was unable to study the situation in Albania and Communist China since it could not obtain copies of the relevant laws and regulations. Further information was also needed about Eastern Germany, but the committee noted official Communist admissions of the existence of labour camps, documents establishing the fact that Germans were directed to work in the uranium mines, and extracts from the East German Criminal Code, which empowers courts to inflict forced labour "without conducting a full hearing."

Retrospect on Ho Chi Minh

THE expectation that the political conference due to follow an armistice in Korea may extend its scope to Indo-China has raised afresh the question of possible negotiations between France and Ho Chi Minh. In this connection the past record of dealings with the Viet Minh leader is of interest as affording some clues to his basic political attitude and character. In 1946 he reached a negotiated settlement with France which subsequently broke down through a succession of adverse incidents, but not without some evidence of an original intention on Ho's part to make it work. Although in some ways, with Communist China aiding the Viet Minh with supplies and the United States participating more and more in the struggle against it, the situation is even more complicated and intractable than it was in 1946, nevertheless the exhaustion of the country after six years of war and the longing of the Vietnamese people for peace put pressure on the political leaders of both sides so long as neither looks like winning.

At the end of the Pacific war in August, 1945, the Japanese controlled Indo-China, including Vietnam, after having crushed and disarmed the French colonial troops five months previously in order to prevent them from going over to the new Gaullist France (which was at war with Japan). On the northern frontier of Vietnam there was a Chinese army ready to move in, and with it were units of Vietnamese guerrillas controlled by a Chinese-sponsored federation of three revolutionary parties among exiles in China—the Vietnam Quoc Dan Dang (the VNQ), the Dong Minh and the Vietnam Doc Lap Dong Minh (the Viet Minh); of these the first two were purely nationalist, but the Viet Minh was dominated by the Indo-Chinese Communist party led by Nguyen Ai Quoc, a former member of the French Communist party who in 1943 took the new

name of Ho Chi Minh. The Viet Minh had a better underground organisation within Vietnam than the other two parties, and the Chungking Government recognised and subsidised Ho as the leader of the Vietnam national movement.

This was done in spite of the increasing tension between the Kuomintang and the Chinese Communists (with whom the Viet Minh always had close links). Kuomintang policy was to prevent any restoration of French power in Vietnam after the defeat of Japan, and for this purpose the Viet Minh had to be supported, even if it was Communist-led. But the Kuomintang also counted on its own army of occupation to regulate the postwar affairs of Indo-China; Chungking arranged with America, in spite of French protests, that China should take the Japanese surrender in Indo-China north of lat. 16°N, the southern portion being left to Admiral Mountbatten's South-East Asia Command. The Japanese might have been ordered to release and rearm their French prisoners, but they were not; they were given to understand that both the United States and China supported the Viet Minh, and so they turned over local authority to the latter.

A Divided Nation

Soon after the end of the war, however, a French expeditionary force arrived in the Far East and, with the co-operation of South-East Asia Command, occupied Saigon, dispersing the Viet Minh in the south of Indo-China. But in the north a Viet Minh Provisional Government headed by Ho Chi Minh consolidated its position under Chinese protection; the titular emperor of Annam, Bao Dai, had abdicated and lent his prestige to the new regime with the title of Supreme Adviser. Faced with this situation, the French opened negotiations concurrently with Ho Chi Minh in Hanoi and with the Chinese Government in Chungking. To Ho they offered recognition of the "Republic of Vietnam" as a "free state" within the Indo-Chinese Federation and the French Union, but not the *doc lap* or complete independence claimed by the Viet Minh. To China they offered renunciation of various prewar French treaty rights in China in return for transfer of military occupation control in Tongking. By the beginning of 1946 American policy had become much less hostile to French colonial interests than it was in President Roosevelt's time, and the Chinese Government, diplomatically isolated, came to the conclusion that a bargain with France was worth while. The treaty was signed on February 28th.

Ho Chi Minh, meanwhile, having failed to obtain recognition for Vietnam from America and no longer able to rely on Chinese protection, decided to make a compromise agreement with France, dropping the demand for *doc lap*. But the VNQ and Dong Minh were in opposition, denouncing any compromise as treason; it was clear that they would capture the leadership of the nationalist movement if the Viet Minh abandoned *doc lap*. Ho therefore went to the ex-emperor Bao Dai and proposed to hand over to him full governmental power for the purpose of reaching an agreement with France. Before Bao Dai had time to consider the offer, Ho withdrew it. The manoeuvre had alarmed the Chinese with the prospect of a collapse of the nationalist movement, and the Chinese political representa-

tive put effective pressure on the VNQ and Dong Hoi to enter a coalition with the Viet Minh so that all parties would share responsibility for a compromise settlement. There was still, however, delay in reaching it because an agitation within the Kuomintang sponsored by the War Minister, Ho Ying-chin, caused China to adopt the attitude that the change-over in Tongking could not take place until the staff arrangements were complete and that these were conditional on a Franco-Vietnamese agreement.

The renewal of Chinese military support enabled Ho to return to the demand for *doc lap*, which the French delegate, Sainteny, was forbidden by instructions from Paris to concede. But French troop transports were already on the way to Haiphong, and the Chinese War Minister, who was ready to risk war with France, ordered the Chinese commander at Haiphong to resist the landing by force. Throughout March 5th, while the French fleet hour by hour approached Haiphong, Ho Chi Minh argued interminably with Sainteny in Hanoi about the meaning of *doc lap*. But at nine o'clock in the evening General Chao Pe-chang, deputy-commander of the Chinese army of occupation, burst into the room and said to Ho: "Why have you not reached agreement with the French? You will plunge us all into war." Thus again deprived of Chinese backing, Ho again beat a retreat; just after dawn he accepted the French terms. The agreement came too late to avert hostilities at Haiphong, where the Chinese artillery opened fire on the French fleet at 8.30 in the morning; undeclared war between China and France continued for over two hours with casualties on both sides. But in the end the Chinese evacuated Tongking, and for a brief period it seemed that the pact of March 6th afforded a basis for a peaceful development of self-government in Vietnam.

An Opportunity Missed?

Many Frenchmen whose sympathies are very far from Communism believe that a great opportunity was missed in the ensuing months, and that the responsibility for the outbreak of war a year later was not all on one side. At any rate, in this period it was not Communism that was in question, but only Vietnamese independence; the international Communist affiliations of Ho Chi Minh do not appear to have weighed at all with the French negotiators in 1946, whatever were their views on the extent of the sovereignty that ought to be reserved by France. It was only after the victory of the Communists in China, and with the prospect of Vietnam serving as a stepping-stone for the expansion of Communism over all South-East Asia, that the war in Vietnam became a sector of the international front against the Communist power bloc.

Even now it is by no means certain that Ho Chi Minh would reject any settlement short of complete victory. The record of Ho as a negotiator is one of a rather supple and adaptable leader who is prepared to compromise when the situation requires it. He established very good personal relations with the French representatives with whom he had to deal, as also at one time with Bao Dai. His highest card has always been Chinese military support—of Kuomintang China in 1946, of Communist China today. Last time, when China wavered, Ho was ready for a reasonable settlement. It may be so again. But the key is in Peking.

Further Outlook in Nigeria

FROM OUR CORRESPONDENT

THE political barometer in Nigeria has risen slightly in the last week or two. Even the nationalist newspapers seem just a little lower-keyed, and the Government may be able to avoid prosecuting party leaders or press lords for sedition. Not that the press is cordial. The *Southern Nigeria Defender* is scarcely an organ that commands a national hearing or a universal respect, but a recent editorial expressed something of the emotional release many Nigerians think they are experiencing—

The Die is cast. The Rubicon is crossed. No more arm-chair nationalism. No more oratorical speeches. Action. Action. Action.

And Mr Awolowo, Action Group leader and virtual "Prime Minister" in the Western Region, continues to attack the Governor, Sir John Macpherson, in the most personal terms.

Yet the situation is a little easier partly because the political leaders have now agreed to attend the London talks, and partly because the early stages of elections to the Eastern House of Assembly are to some extent distracting attention. Leaders who have combined to attack the constitution root and branch are at the same time preparing to fight electoral campaigns against each other under that same constitution. Both Action Group and Dr Azikiwe's National Council of Nigeria and the Cameroons have embarked on electioneering tours; suggestions of a political truce have been rejected and the limit of agreement is that members of the two main parties should not call each other "imperialist stooges" during the campaigns.

Reforming the Constitution

But the main factor is, of course, the London conference. Nigerian leaders believe that they have inflicted a sharp lesson in tactics on both the Governor and the Colonial Secretary, and it is true they have succeeded in changing the whole basis of the talks. The Colonial Office, from this distance, seemed to have in mind a conference of the old-fashioned delaying type, which discussed what other conferences could be called and who should be invited to attend them. The Nigerians are not interested in such things. The formula for Nigerian representation, it was felt, should be decided in Nigeria, not in London, and instead of discussing just *how* to tackle reform of the constitution the conference must decide what changes are immediately required.

On the narrowest and most theoretical basis of detailed flaws in the existing constitution and the machinery of elections, agreement might not be hard to reach. The most awkward problem, in view of the Northern movement for secession, is the degree of regional autonomy. Otherwise there is fairly substantial agreement on adult suffrage, the abolition of electoral colleges, and direct election to the central House of Representatives. The present method of indirect election from the regional houses has simply meant a transference to the centre of all regional difficulties. But are these things on the London agenda?

A much more important item is to find some way out

THE ECONOMIST, JULY 4, 1953

of the present deadlock by forming a solid and acceptable central government. At the moment there is a "parliament" in the west without any central ministers, and in the east minority ministers without any "parliament." New elections in the east may dislodge the latter (and bring Dr Azikiwe into the central Council of Ministers?). But in the west the four Action Group ministers whose action precipitated the crisis are still the party candidates for office. No one else, it seems, will do; yet it is almost inconceivable that the Governor could sit at the council table with them again, after all that has been said recently. This is not a criticism of Sir John Macpherson. Part of the difficulty arises from the archaic position of all Colonial Governors today. As the Queen's Representative, head of the government and chief of the civil service, each Governor has all the responsibilities and none of the safeguards of royalty, premiership, and permanent head of the Treasury. It is, however, possible that the Joint Council of the two Western Houses which met on July 2nd can find some face-saving method of avoiding a direct collision on this issue.

Another major difficulty remains. The Nigerians regard the London talks as necessarily two-tiered; they believe them to be concerned in the first place with the urgent steps to be taken now and for an interim period, and in the second place with final arrangements for self-government. Can another direct collision be avoided on the time-table for the transfer of power? It might be if something like the principle adopted in the Gold Coast were accepted, and the British Government made a declaration recognising the existing demand for self-government within the Commonwealth, and expressing readiness to meet it—but without tying this up with a date.

Land Reform in Yugoslavia

BY A CORRESPONDENT

LAND policy in Yugoslavia since the war has been bedevilled by two conflicting aims—the need for a rapid increase in agricultural production and the desire of Marshal Tito and his government to "socialise" agriculture. This latter has meant drastic changes including the limitation (in 1945) of all landholdings to 25 hectares, the setting up of collectives, state control of buying and selling, and the compulsory sale to the state at fixed low prices of certain quantities of agricultural produce. In spite of many decrees and much compulsion over the past eight years this policy of socialisation has met with only partial success—by the beginning of 1952 state and co-operative farms were farming only 25 per cent of the country's arable land—and production in the last few years has declined. It is now agreed that the methods of socialisation defeated their own ends, and throughout last year the authorities were gradually disbanding those collectives which were running at a loss (about one-third of the total). The recent land reform passed by the Yugoslav parliament is a drastic attempt to start again; but the goal is still the same.

The law has two basic provisions; it legalises the disbanding of co-operatives and the return to private husbandry of those peasants who wish to leave co-operatives, and it imposes a new land reform by which all private holdings are to be limited to 10 hectares. The two provisions were not made known to the public at the same time. At the end

of last year the peasants first heard that they were going to be allowed to leave the collectives (or co-operatives as they are euphemistically called). This was hailed as a great triumph for the private peasants and a defeat for the government. In some of the villages where co-operatives had not been successful or compulsion had been most severe the peasants went about shouting "Long Live Tito and the Yugoslav Communist party," and only the local Communists had long faces. Richer peasants left the co-operatives without waiting for the appointed time and poor peasants who had little or no land and stock to take out of co-operatives found themselves faced with the prospect of becoming agricultural labourers under those who had lately been their colleagues. A howl of dismay went up from these landless peasants all over the country and the government's reply is the new land reform law.

DISTRIBUTION OF LAND IN JUGOSLAVIA

Sector	('000 Hectares)	Estimated Redistribution in Land Reform ('000 Hectares)	(Percentage of total)
State	467	100	21
Co-operative	1,998	100	5
Private	7,302	200	3

The expropriation of land will affect only 90,000 out of over two million peasant owners. The figure of 10 hectares is not to be strictly adhered to, since land and local conditions vary so very greatly throughout the country—but whatever the special circumstances, no private family will be allowed to farm more than 15 hectares. In lush areas like the Sumadija, Fruska Gora or the good earth of the Vojvodina, 10 hectares is ample for a normal sized family; in the "passive" areas in parts of Croatia, in the arid mountains of Montenegro and in other regions 20 or 30 hectares are needed for even the barest existence. Wherever patriarchal communal holdings of the old style *zadruga* still exist (notably in Macedonia) they are to be allowed to retain more land. Decisions of this kind are to be left to local committees to be set up for the purpose. These will also have to decide on the compensation to be paid in annual instalments over a period of 20 years in state bonds; the good land will be valued at 100,000 dinars per hectare, and the poor land at 30,000 dinars. The price is fair—though much depends on how local committees grade the land, and it will certainly not console expropriated peasants for the loss of their most precious possession.

More Competition . . .

so there is even more need than before to know what is happening in overseas markets.

The reports published every three months by The Economist Intelligence Unit give a concise and up-to-date analysis of business conditions and prospects in each of fifty countries, or groups of countries. Each report is prefaced by a one-page summary of the main facts and conclusions, and contains a comprehensive statistical appendix supplemented by maps and diagrams.

Descriptive leaflets and a specimen copy of the reports may be obtained from:

THE ECONOMIST INTELLIGENCE UNIT
22 Ryder Street, St. James's, London, S.W.1

The 200,000 hectares which, it is calculated, will thus be made available to the state are to form the basis of a "land fund" to which will be added 100,000 hectares from co-operatives that have been disbanded, and 100,000 hectares from state farms that have failed to pay their way. Previous land reforms in Yugoslavia, in 1921 and 1945, weakened production because expropriated land was given in small plots to landless peasants; but in this latest reform the land fund is to be used to create state farms—co-operatives under another name—and these are to be worked and run by landless peasants on the system of workers' management and profit sharing which is now applied in industrial and other enterprises. Part of the land will be used to reconstitute some of the co-operatives that have been disrupted by the departure of the original members.

The situation in the co-operatives is very confused. But it is probable that when those peasants who wish to leave have done so, between 2,000 and 2,500 co-operatives will remain; these will receive state aid and careful supervision to see that they do not run at a loss. It is now hoped to encourage private peasants—middle and small peasants as they all must be—to make more use of the general co-operatives, and to take some part in communal or co-operative farming, even if only on a small scale. The idea is that certain operations—deep ploughing, fertilising, the cultivation of special crops, even harvesting—shall be undertaken by group farming; general co-operatives are to increase their ability to provide machinery, credit and other facilities in addition to the marketing services that they have provided so far. This will bring them more into line with co-operatives in some non-Communist western countries such as Denmark.

Will the Peasants Co-operate?

It remains to be seen how far private peasants will co-operate in this scheme. Even though expropriation has affected less than 4 per cent of peasant farmers it has undoubtedly come as a shock to all land-holding peasants except the poorest. It confirms their worst fears and perpetuates the feeling of insecurity which has been one of the main reasons why private peasants have not increased their production in recent years. Half a million hectares less land is being farmed in Yugoslavia today than before the war. Between 1949 and 1952 the numbers of cattle, sheep and poultry declined by between 10 and 12 per cent—and the biggest decline was in the private sector.

The present land reform will not of itself make for more production; indeed it is remarkable how little it changes the structure of Yugoslav agriculture. When the change has been effected, state and co-operative land will be 28 per cent instead of 25 per cent of the whole. Thus the general picture of Yugoslav agriculture will still be of a multitude of fragmented holdings run by poor peasants. President Tito will continue to be faced with the problem of whether to cajole or coerce them into greater production. Both have failed in the past eight years. Perhaps there is some significance—and not necessarily a sinister one—in the fact that the very able Alexander Rankovic, hitherto associated mainly with the efficient organisation of security, has recently been brought forward to speak about agricultural questions. One thing is clear—that the present land reform is mainly a political move: the economic problem still remains to be solved.

Cabinet Crisis in Finland

THE resignation of Mr Kekkonen's Agrarian-Socialist coalition government on Monday was not entirely unexpected. The crisis came, as many people expected, because of a growing rift between the two partners on the right policy to cope with Finland's serious economic problems. The problems—a high and rigid wage-price structure, and the difficulties of absorbing the reparations-born metallurgical industries—are admitted on all sides; but there is no unanimity on corrective policies.

The previous government had reached an uneasy compromise on a programme of cost reduction of a long-term nature. The hitch arose from the employers' desire to sever the link between the cost of living index and wage rates, which the trade unions, as represented in the Social Democrat party, strongly opposed. At one time it appeared likely that this thorny question would be solved by a wage-escalator lagged by a certain margin to the cost of living index; but apparently agreement proved impossible.

Finland's cost level is out of step with most of its trading partners, with the result that a succession of adverse trading balances has been experienced. The problem is particularly acute in trade with the sterling area, where Finland's traditional export staple—wood-products—has been largely priced out of the market. There has been strong pressure to increase trade with the Soviet Union and its satellites, and indeed Russia is now Finland's biggest customer; but it can supply only a fraction of Finland's consumer goods needs. A series of tripartite deals with the Soviet Union and its satellites has not wholly solved the problem. Those who advocate closer trading relations with Russia—they are not all Communists—choose to forget the problem of piling up virtually useless rouble balances.

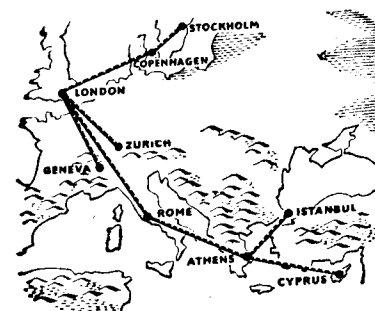
Possibility of Devaluation

If costs cannot be sharply cut, the only alternative is devaluation of the Finnish markka. Most observers, both in Finland and elsewhere, believe this to be inevitable as the degree of over-valuation is about 50 per cent. Devaluation, however, is feared because of the inflationary impact: it has, furthermore, become a contentious political issue and the retiring prime minister was obliged to give a personal pledge that he would resign rather than devalue. It is not to be supposed that the present crisis is in fulfilment of that pledge; but the time may not be far distant when Finland will be forced to ask the International Monetary Fund to agree to a new parity.

There is no clear picture of the probable outcome of the present crisis. Some form of coalition is necessary as no single party commands a majority. One possibility is a right-centre coalition under Mr Kekkonen or some more acceptable candidate. Another would be a purely caretaker government appointed by the President, whose powers are more extensive than, for instance, are those of the French president. The Social Democrats are anxious for a general election as soon as possible, but the tradition of Finnish politics is strongly against foreshortening the life of a parliament; the present one's life terminates in July, 1954. Whatever the shape of the next government its tasks during the next few months are unenviable.



revolution



The Viscount has started a revolution in medium-range flying in a very quiet way. By reducing considerably the noise and vibration, this turboprop airliner makes the journey between European capitals a new and restful experience. There's little engine roar in the cabin to make conversation an effort—and no 'tired-out' feeling at the end of the trip. It's a new kind of air travel in the Viscount—one of the fine aircraft claiming world attention in this vintage year of British flying.

VICKERS

VISCOUNT

FOUR ROLLS-ROYCE DART TURBO-PROPELLER ENGINES



NOW IN SERVICE WITH **BEA**

AN229

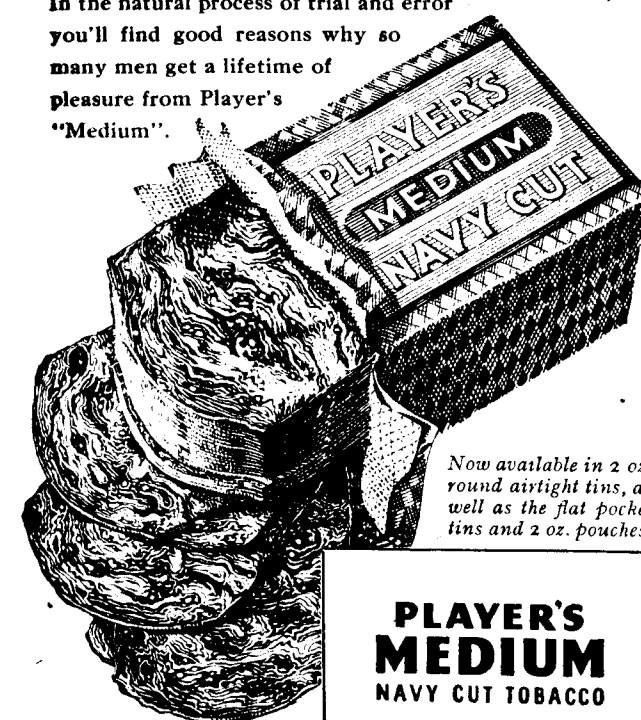


A gracious welcome to your guests

20/- bottle • 10/6 half bottle

The choice of a lifetime

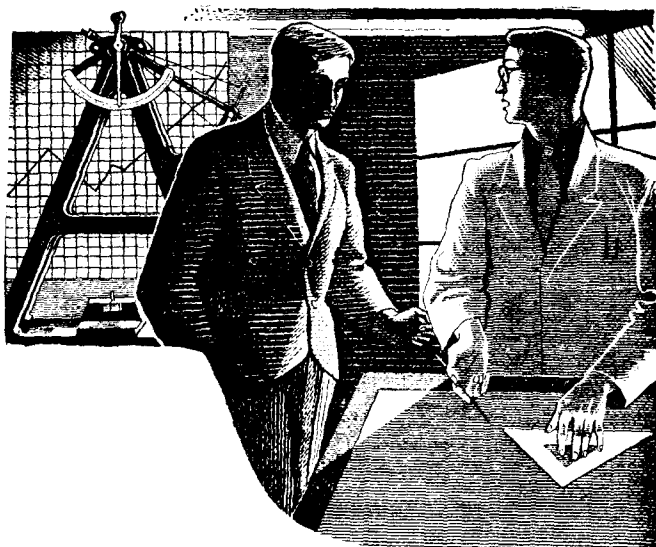
In the natural process of trial and error you'll find good reasons why so many men get a lifetime of pleasure from Player's "Medium".



Now available in 2 oz. round airtight tins, as well as the flat pocket tins and 2 oz. pouches.

PLAYER'S MEDIUM NAVY CUT TOBACCO

(MCT 763)



This designer needs help FROM A METALLURGIST

New designs with higher standards of performance often require improved materials. It is the job of the metallurgist to see that these materials are available when required. He and the designer both have the same objective — the project which in a few years' time may be depending on materials not yet commercially developed.

Mond Nickel is working now on such problems in the field of nickel alloys. Now is the time for designers to . . .

CONSULT MOND NICKEL



THE MOND NICKEL COMPANY LIMITED

SUNDERLAND HOUSE • CURZON STREET • LONDON • W1

THE ECONOMIST, JULY 4, 1953

**when called upon
to advise**

ON INVESTMENT



as an executor . . .

the principal objective is to ensure safety, a good steady return and the ability to realise on capital without loss should occasion arise.



as an accountant . . .

the problem usually revolves round the safe disposal of surplus funds or reserves: the ability to realise quickly and without loss when required is equally essential.



as a solicitor . . .

a variety of problems may arise — money realised by sale of property, the settlement of estates, the investment of legacies — but in all cases safety for capital plus regular interest and accessibility of money without loss are the main objectives

*everything points to the
advantages of investment
in the*

**CO-OPERATIVE
PERMANENT
BUILDING SOCIETY**

SECURITY — FREEDOM FROM FLUCTUATION
IN VALUE, ACCESSIBILITY AND 2½% WITH
INCOME TAX PAID BY THE SOCIETY

FUNDS £75,000,000

RESERVES EXCEED £3,000,000

you are invited to write for full particulars to

NEW OXFORD HOUSE, LONDON, W.C.1. Tel. HOLborn 2302
City Office: 163 MOORGATE. Tel. MONarch 3556

THE ECONOMIST, JULY 4, 1953

THE BUSINESS WORLD

Factors in Gilt-Edged

FOR the first five months of this year the gilt-edged market enjoyed the unfamiliar experience of being the one consistently favoured section of the Stock Exchange. But amid all the festivities of June, it relapsed into comparative friendliness. Its fall from grace was not, indeed, of the violent kind that had rudely shaken it so often in these postwar years. The decline in prices from the peaks touched three weeks ago was a gradual one, and the whole movement was not very large—in the long-term market it amounted to a full point, or a little more. The moderateness of the movement, and the rally this week, clearly show that gilt-edged investors are not convinced that the underlying trend has decisively changed. But the moderate recession in June has a significance out of proportion to its size, for it prompted the first serious questioning of the view that has dominated investment decisions for the past twelve months—the view that the long-term prospect for gilt-edged was good, and that any short-term set-backs were not likely to be large. This is no moment to rush into prophecy; the market has good grounds—though it cites some bad ones as well—for its indecisiveness. But it is a moment at which a stock-taking of the principal factors may be helpful.

The first point to observe is that the broad sweep of the market's progress has gone a good deal farther than many people have yet realised. They are apt to assume that the gilt-edged market is still suffering sorely from the body-blow launched upon it by Mr Butler's revival of an effective monetary policy. This, however, is no longer true, except among the short bonds. In the long-dated market, prices on June 11 last were roughly nine points above the depths plumbed in the mid-summer slump of last year; the gains ranged from 10½ per cent for Savings Bonds 1955-65 to over 12½

per cent for War Loan and Old Consols. Over these twelve months the yield basis had been cut down by between ½ and ¾ per cent, reducing the flat return from irredeemables to 4½-½ per cent and the redemption yield on long-dated stocks to 4 per cent or less—smaller yields, in fact, than obtained on the eve of last year's budget and the fixing of the 4 per cent Bank rate. That is a striking comparison. But there is even more food for thought in a comparison with the market level on the eve of the "new" monetary policy. On November 7th, 1951, when Bank rate still stood at 2 per cent and the Treasury bill rate at ½ per cent, Old Consols were quoted at 64½ net, War Loan at 85 3-16 net and 1965-75 Savings Bonds at 88 13-16 net. Three weeks ago the corresponding net prices were within 2½ and 3½ points of these 1951 levels, and the difference in yields varied from ¼ to just over 3-16 per cent. The moderate setback in the last few weeks does not perceptibly diminish the force of these comparisons. Even now, the index of fixed-interest securities compiled by the *Financial Times* (which covers a wider range than the gilt-edged market proper) stands more than 1 per cent above its lowest 1951 level.

The principal reasons for this massive recovery are readily discernible. First in point of time was the evidence, last summer and autumn, that the "hump" of Britain's crisis would be surmounted without disaster. The emotion then was the negative one of relief at the lifting of fears of new and acute pressure upon the market. It soon gave place to the positive influence of reviving confidence as the gold reserves rose and the surplus on total external payments came in sight. Through both these phases, if one can believe the figurings of the national income statisticians, private savings were rising; and a good share of these funds

was attracted to the gilt-edged market in the belief that the monetary discipline, which had played so large a part in provoking the fall, could and would be gradually relaxed—and in any case held no more terrors for the long-term market.

Three more major considerations, all of them intricately intertwined in the market's judgments, were then added to the case for gilt-edged: first, the vaguely formulated doubts about the future of world trade; secondly, the renewed talk of a coming recession in the United States; and then the peace offensive from the Kremlin, quickly followed by the resumption of truce negotiations in Korea. It is worth noting, too, that one of these influences helped the market negatively as well as positively. The disappointments at the economic policy that was taking shape in Washington,

GROSS REDEMPTION YIELDS

	Nov. 7, 1951	Mar. 11, 1952	June 24, 1952	June 11, 1953	July 1, 1953
1% Nat. War Bonds, 51/53	2 1 3/4	2 5 5/8	3 3 11/16	...	...
1% Serial Funding, Nov., '52	...	1 14 10	2 17 5	...	...
1% Serial Funding, Nov., '53	...	1 18 10	2 18 2	2 8 3	2 8 3
1% Serial Funding, Nov., '54	...	2 5 2	3 5 1	2 10 3	2 10 3
1% Nat. War Bonds, 54/56	1 14 7 1/2	2 14 10 1/2	3 12 10 1/2	2 11 3 1/2	2 14 2 1/2
1% Exchequer Stock, '55	2 0 10 1/2	2 12 9 1/2	3 12 8 1/2	2 10 5 1/2	2 11 8 1/2
1% Exchequer Stock, '55	1 17 5	2 9 6	3 12 1	2 12 0	2 11 10
5% Savings Bonds, 55/65	4 5 9 1/2	5 16 11 1/2	8 2 6 1/2	5 8 10 1/2	5 14 9 1/2
5% Savings Bonds, 55/65	3 8 2 1/2	3 16 9 1/2	4 8 3 1/2	3 10 0 1/2	3 11 0 1/2
1% Funding, 56/61	3 9 2 1/2	4 12 2 1/2	5 19 10 1/2	3 13 2 1/2	3 17 0 1/2
1% Funding, 56/61	2 19 7 1/2	3 10 2 1/2	4 2 0 1/2	2 18 11 1/2	3 0 3 1/2
5% Funding, 66/68	3 12 5 1/2	4 5 6 1/2	4 14 2 1/2	3 15 0 1/2	3 16 5 1/2
5% Funding, 66/68	3 11 3 1/2	4 3 0 1/2	4 10 10 1/2	3 13 5 1/2	3 14 8 1/2
5% Funding, 69/70	3 10 8 1/2	4 8 9 1/2	4 18 6 1/2	4 0 6 1/2	4 1 5 1/2
5% Funding, 69/70	3 16 7 1/2	4 3 1 1/2	4 6 5 1/2	4 0 2 1/2	4 0 3 1/2
5% Savings Bonds, 65/75	4 1 5 1/2	4 17 2 1/2	5 8 6 1/2	4 9 6 1/2	4 11 4 1/2
5% Savings Bonds, 65/75	3 14 3 1/2	4 4 7 1/2	4 11 11 1/2	3 18 8 1/2	3 19 10 1/2
5% Elect., 74/77	3 15 7 1/2	4 6 6 1/2	4 13 9 1/2	4 0 2 1/2	4 0 4 1/2
5% Elect., 74/77	3 14 4 1/2	4 4 4 1/2	4 10 11 1/2	3 18 4 1/2	3 19 5 1/2
5% Transport, 78/83	4 1 11 1/2	4 10 11 1/2	4 17 5 1/2	4 4 3 1/2	4 5 9 1/2
5% Transport, 78/83	3 18 3 1/2	4 5 9 1/2	4 11 2 1/2	3 19 11 1/2	4 2 2 1/2
3 1/2% Steel, 79/81	3 17 3 1/2	4 5 4 1/2	4 12 11 1/2	4 1 3 1/2	4 2 2 1/2
3 1/2% Steel, 79/81	3 16 9 1/2	4 6 9 1/2	3 12 0 1/2	4 0 9 1/2	4 1 8 1/2
3 1/2% Steel, 79/81	3 18 7 1/2	4 6 7 1/2	4 11 1 1/2	4 0 0 1/2	4 1 3 1/2
3 1/2% Steel, 79/81	3 17 6 1/2	4 5 2 1/2	4 9 5 1/2	3 18 10 1/2	3 19 11 1/2
5 1/2% War Loan, after '52	4 2 2 1/2	4 9 1 1/2	4 16 2 1/2	4 5 4 1/2	4 5 5 1/2
2 1/2% Consols	3 18 0 1/2	4 2 5 1/2	4 10 7 1/2	4 0 10 1/2	4 2 5 1/2
2 1/2% Treasury	3 19 7 1/2	4 5 3 1/2	4 13 10 1/2	4 2 7 1/2	4 3 8 1/2

(e) Earliest date. (f) Flat. (h) Latest date.

which partly explained the revival of apprehensions of an American recession, simultaneously pushed aside the one remaining possibility that had been regarded as holding any major threat to the gilt-edged market—the possibility of an early plunge into convertibility.

These external influences have been overwhelmingly the most important ones in recent months. Each of them separately reinforced the view that the postwar phase of world inflation had ended at last, and implied that henceforward it was the opposite danger that had to be feared. And since these influences impinged upon a mood of satisfaction at Britain's external recovery, the long-term prospect for gilt-edged looked assured. The very influences that were depressing equities—and prevented them from responding to the stimulus of the budget—were correspondingly good for gilt-edged. Similarly, the recent setback was quite clearly attributable to renewed questionings about this ending

of world inflation—questionings provoked by the misbehaviour of President Syngman Rhee and the trouble in East Berlin, by the continuance of high activity in the United States, and even by the suspicion that inflationary forces are reviving in Britain.

★

If the market has been rational in its response to the external influences, it has not been equally logical in its appraisal of the principal domestic factors. There has been a good deal of muddled thinking both about the implications of Government economic policy and about the coming denationalisation of steel. Inevitably, the City's responsibility for co-operating in the marketing of the steel securities has played a restraining part, by causing institutional funds to be held back from investment or placed temporarily in the short bond market. But there is no reason at all to regard these impending operations as a source of fundamental pressure upon the market; to the extent to which the Government receives cash for the steel securities that are sold, it will promptly return the funds to the market, and it is most unlikely to allow any undue pressure to arise on the eve of an issue.

If it were seeking to tighten its monetary policy, any given steel issue would provide it with a minor opportunity, since the funds could be employed in repaying indebtedness in the form of Treasury bills held by the banking system (thereby causing a corresponding contraction of bank deposits) instead of in purchases of long-term securities on the market. But the choice would depend on the needs of monetary policy at the moment, and there is no inherent reason for expecting any such tough attitude to be adopted. If, on the other hand, the proceeds were wholly employed in the long-term market, the effect might be stimulating—since the supply of gilt-edged would be diminished, and that of equities expanded, in conditions when investors may still be preferring gilt-edged to equities. This week's indication that the first issue is likely to be delayed is not, therefore, a very logical reason for a marking up of prices.

These questions of tactics for steel marketing are, in any case, only part (and a relatively minor one, at that) of the general problem of monetary policy. Although the market was disappointed in its earlier hopes that a reduction in Bank rate might accompany the budget, a fair part of the popular case for gilt-edged is built, even now, upon the assumption that a reduction will be conceded before the end of the year. It is not a deduction that can fairly be drawn from the trend of policy in the past few months. So far, the tactics of the authorities have conformed pretty closely to the indication given in the budget speech that the then foreseeable conditions of 1953 would require broadly the same degree of monetary pressure that obtained at that time. In point of fact, a moderate relaxation has been proceeding ever since last November—in the sense that bank

advances to industry, after their substantial reduction in the first year of the "new" monetary policy, have now been rising for six months. This tendency, however, is probably due much more to the necessary re-expansion of industry's working stocks as production rises than to any overt easing of bank lending standards; and it is believed that such an easing would not be acceptable to the authorities. Certainly, the Government's attitude in face of last week's Labour attack during the Finance Bill debate gave no hint of any intention to concede any specific relaxation.

The conclusion to be drawn from the recent Exchequer Bond issue was, indeed, that a minor precautionary tightening was deemed prudent—to moderate the seasonal rise in the banks' liquidity ratios—but that any major tightening would be out of place. Monetary policy, in short, is still reasonably in tune with the theme of the budget. If the Chancellor were already being swayed by the spreading view that the budget was, after all, somewhat too soft, he would presumably be using the flexible weapon of credit policy to redress the softness, and would not have deferred his attack upon the problem of refinancing the large maturities that lie ahead. As it is, the weapon is still in reserve. And, paradoxically, the very fact that is causing concern among some of the Chancellor's critics—the declining trend of Britain's external surplus—may make a tightening of monetary policy look less necessary in the short run, because it will correspondingly lessen the strain on the Treasury's domestic finances.

What Future for Films?—II

Shape of Screens to Come

NO lions will leap into the filmgoer's lap, nor stereoscopic guillotines fall on his neck, unless he is wearing specially-designed spectacles, and every time a patron borrows a pair of these to enjoy such experiences, it costs the cinema sixpence. That is what the exhibitor has to pay to hire the spectacles with the three-dimensional film. But this extra sixpence cannot simply be passed on in the seat prices. To add sixpence to the price of any cinema seat attracts a corresponding increase in entertainments duty: a 2s. 3d. seat, for example, with sixpence extra for the spectacles, requires 4½d. more in duty, so that in practice the exhibitor would collect the odd halfpenny and charge 3s. 2d. for the seat. This incidental aspect of Three-D may serve as a reminder that the changes now impending on the cinema screen are less a technical revolution than an economic manoeuvre, in the face of the growing threat from television examined in a preceding article.

What the industry is trying to divine from its new visions, therefore, is not only the chance these may offer of countering "the fatal fascination of the little television square," but also the price of that chance.

But if world uncertainties are pressing upon Britain's balance of payments, there is no sign that they are causing any simultaneous decline in domestic demand. Consumption seems to be rising, which probably means that personal savings are declining. If, as most people believe, investment outlays are rising too, the case for keeping monetary policy taut is incontrovertible. The only circumstances in which an overt softening might seem feasible would be those in which general uncertainty was doing the work of restraint that is now assigned to monetary policy. But if that happened, the slackening of pressure upon the domestic economy (which might temporarily divert further funds to the gilt-edged market) would almost certainly be a harbinger of still further pressure upon the external balance; and to ease monetary policy deliberately when that danger lay ahead would be extremely rash.

The gilt-edged market, in short, ought not to count on a lower Bank rate—though, as the comparisons given earlier in this article show, it seems to have discounted all but the psychological effects of a reduction already. The bulls of the market now are, in fact, the bears of world trade. They may be right; but they should remember that nowadays it is only a minor recession that is "good" for gilt-edged. Anything more than that would quickly raise the dollar problem to a new intensity—and another crisis of the balance of payments could not leave the gilt-edged market unscathed, no matter what the level of Bank rate.

★

The first question admits only of judgment and conjecture. So the second, a question of pounds shillings and pence to be paid by different people—though finally by audiences that seem today progressively less anxious to pay even present prices—may be the key to the shape of screens to come.

The hire of spectacles—with payments for those spoiled or lost—is only one of the extra costs of the exhibition of a stereoscopic film. To project two separate images—one for each eye—on to the screen, both projectors must be used, perhaps strengthened to take longer reels of film, and synchronised by an electrical or mechanical linkage that may cost £50-£250. The normal screen of the flat cinema, built to diffuse (and depolarise) light falling upon it, will not do: a new, aluminised screen, ideally 20 per cent larger, is needed, costing perhaps 12s. 6d. a square foot (say £325 to convert a medium-sized screen originally about 18 ft by 24 ft); aluminised paint, however, may give fair results.

Running costs also mount. Polarising filters on both projectors, costing £10 the pair, deteriorate under heat and cannot be used for more than a day or two; the constant use of two projectors, plus the loss of light through the polarising filters and spectacles, will require roughly two-and-a-half times the power for lighting; and extra staff will be required to distribute, collect and sterilise the spectacles.

An alternative to stereoscopy—the wide screen—may offer exhibitors more for less, particularly in running costs. Its most ambitious version, Cinemascope, would admittedly cost far more, but at present this seems out of the question. The more modest wide screen techniques, from Cinemascope downwards, cost less. The normal screen, and hence the normal film frame, is about one-and-a-third times as wide as it is high. Films shot on the existing pattern can be “topped and tailed” by a masked aperture on the projector, then projected to fill a screen about one-and-a-half times as wide as it is high—at the cost, perhaps, of losing occasional heads and feet. Films shot with a wide angle lens, with action mainly across the centre of the film frame, can be masked to permit projection on to a screen perhaps twice as wide as it is high. Cinemascope, demonstrated in London this week, makes use of a curved screen more than two-and-a-half times as broad as it is high. This is the first system in which a very broad scene is first filmed through an “anamorphic” lens that compresses the image laterally into a film frame even slightly narrower than the normal, and then is projected through a lens that reverses the process and opens out the image once again on the big screen.

Most of the large screens now being installed are aluminised, and might cost much the same per square foot as stereoscopic screens (the 18 ft. by 24 ft. screen instanced above, for example, widened to the extreme Cinemascope dimensions, would cost about £500). New aperture gates for the projectors, and probably rather better lenses, would be required, and if an “anamorphic” lens were required, this would cost about £50-£100 per cinema. But only a single projector, and normally-sized reels of film, are required for these systems. The wide screens would

perhaps call for 20 per cent more lighting. But other running costs would be affected little—though the installation of a big screen might in some cases mean removing a few front rows of seats, and slightly reducing a cinema's earning capacity.

But in the film industry's counter-attack against television, the picture is at present held to be only half the battle. Stereoscopy and the wide screen alike are offered with an additional feature, the so-called “stereophonic sound.” This involves the use of more than one sound track, relayed through separate speakers located at various points throughout a cinema, in order to heighten the illusion of “audience participation.” Demanding at a bare minimum three separately placed speaker units and the corresponding amplifier heads, and at the most ambitious perhaps 14 speakers operated by several different sound tracks, these systems require a considerable capital outlay in the cinema. Sound equipment may cost £1,500 to £2,000 per cinema,

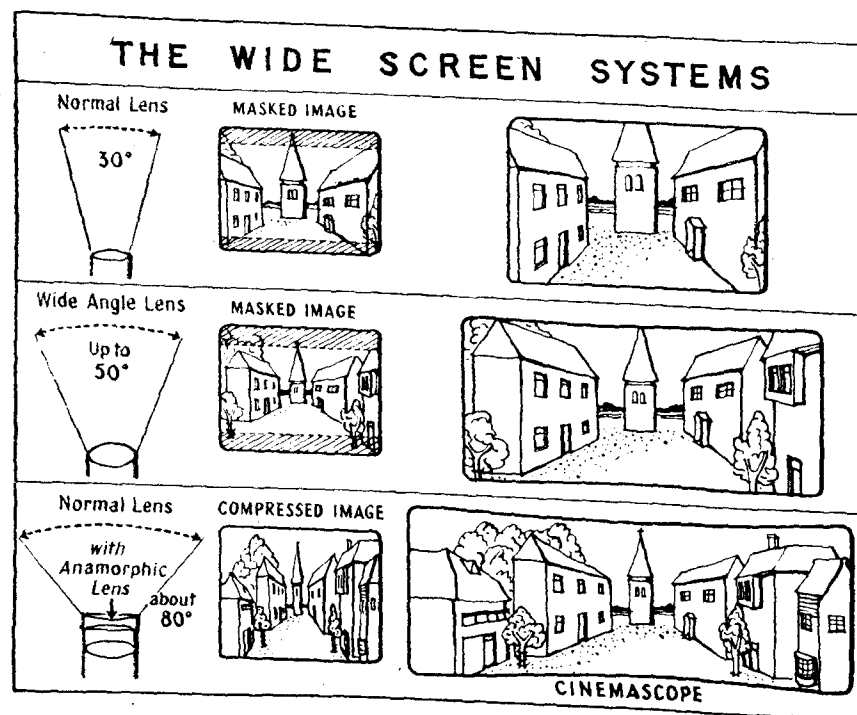
plus, say, £50 or more for each additional speaker; and to obtain really good results, most British cinemas would require special acoustic treatment at a cost equivalent to perhaps £1 a seat. “Stereophony” would thus be the costliest improvement of all for the cinema owner—offered, moreover, to audiences that are seldom very discriminating about the quality of sound reproduction in a

cinema provided that the dialogue is clear.

What would these improvements cost for a medium-sized British cinema—say of 1,250 seats with an existing “flat” screen of 18 ft by 24 ft? A comprehensive conversion might require:

Widened, aluminised screen	£
Sound equipment	500
5 extra speakers	1,500
New and auxiliary lens	250
Projector linkage	100
Installation and electrical alterations	150
	100
Acoustic treatment of cinema	2,600
	1,250
	£3,850

For comparison, it may be noted that the Cinemascope “package” system now offered by 20th Century-Fox



is estimated to cost between £1,750 and £5,000, depending on the size of cinema. But less ambitious sound equipment, perhaps obviating the need for acoustic treatment of the auditorium, might cut the estimate of capital cost shown above by more than a third.

★

The new film dimensions will cost other sections of the industry much less. Stereoscopic film would require double the film stock and processing for exhibition copies; distributors, who arrange this, would also have increased costs in canning the film and transporting it, and would perhaps need more labour for its inspection and rewinding between cinemas. Films for wide screens need cost no more than the normal to process or distribute. Stereoscopic productions in Hollywood so far have been expensive, as are the first Cinemascope films now being made. But technically all that Three-D is is the doubling up and coupling of cameras and the provision of twice as much negative; wide screen films will require special or auxiliary lens; and “stereophonic” sound needs only extra work from the recording unit. These are not large items in production cost; and it may be that the new screen techniques, calling for longer sequences, may reduce other production costs enough to offset them. But one proviso is that so far most of the “new vision” films are being made in colour; this may become universal, and if it does it will raise average production costs.

The lion's share of extra costs will naturally fall on the cinema exhibitors, who have the largest financial stake in the film business and little chance of compounding with the television foe. Compared with their existing investment in bricks and mortar—probably some £100 million in Britain, taking historical costs—the extra capital may not seem large. Conversion for occasional stereoscopy, a wide screen, and some improvement in sound reproduction, might cost the 2,400-odd cinemas with more than 750 seats each, which account for about 80 per cent of the takings of the trade, less than £5 million in total; the 2,000 smaller cinemas, where conversion might be limited by physical dimensions as well as the owner's pocket, might be adapted to show stereoscopic films on a fairly wide screen for a few hundred pounds each. The larger circuits could hardly afford nor to convert most of their halls once some agreement about systems begins to emerge; they have locked up in cinemas too much money that might go bad to be able to stint a little more. The same is true to a lesser degree throughout the trade, though this further call on capital resources in order to present an altered product might close some of the smaller cinemas and further concentrate the industry.

Moreover, the British cinema trade's freedom of choice whether or not to invest in conversion is somewhat limited. It still depends mainly on showing American films to a public that broadly prefers them; and as the American product changes, so must the British

purveyor's arrangements to retail it. At present, a survey of British cinema dimensions is being taken to see what shape of screen would be most suitable here; and Hollywood will have to take note of this, since British earnings make up today an increased proportion of its income. But if, then, the Americans turn to the wide screen, as seems likely, with the use of stereoscopy restricted to specially suitable subjects, it would require a sharp rupture of the existing pattern of the cinema trade for Britain not to follow suit, albeit more cautiously. In the next two years, one may expect considerable confusion in the trade—with a shortage of films really made for the new dimensions, a costly stock of “flat films” to be partly re-shot or disposed of in some other way, and continued argument about systems. Some form of wide screen—which after all offers a sheer size and sweep that domestic television cannot duplicate, even if colour or stereoscopy appear one day on the drawing-room set—at present seems likely to provide the future standard.

But the capital charges of cinema conversion, plus any higher running costs—and at one remove any increase in distribution costs—will have to be recouped by filling the cinema more frequently. The cinemagoer may be prepared to pay extra for stereoscopic spectacles occasionally, but not a higher price for his usual seat; indeed, the exhibitors have recently been arguing that patrons are already priced out of the cinema. There remains the trade's argument—growing steadily in weight—for a cut in entertainments duty, but too much hope cannot be placed on the Chancellor's promised benevolence. So the move into new screen dimensions must sharpen the contest that prompted it: how well can the cinema stand up to television?

★

Only time can answer that—though in Britain, today, the decision whether sponsored television is to come or not must greatly affect the cinemas' chances. Whatever that decision, television will expand, and for some time still, perhaps, at the expense of the cinema. Opportunities may occur for the occasional truce between the two forms of visual entertainment—“trailer” programmes over the air, the release to television of old films, televised news events in cinemas, and for film producers an alternative though specialised new market. Moreover, the two forms of entertainment remain fairly distinct. Unless some acceptable way could be devised of making the viewer pay to see individual programmes, there is no way in which a feature film could profitably be given a “first run” on television; and equally, neither the BBC nor a commercial station could afford to commission a programme worth at least £120,000 for an hour and a half. So though the little screen may continue to win patrons away from the big as viewers multiply, some balance between the two visual entertainments seems likely to be reached in the long run. But how much of the market that balance will leave to the cinema, few people in Wardour Street—however many dimensions they hope to call in aid—care yet to guess.

Business Notes

More Gold Gained

THE performance of the sterling area's dollar balance of payments in June was appreciably better than is suggested by the month's increase in the gold and dollar reserve. This increase amounted to only \$46 million, the smallest monthly gain this year. Allowing for the \$28 million of defence aid received from the United States and \$10 million in gold or dollars from EPU, the "true" dollar surplus amounted to \$8 million. It should be borne in mind, however, that some \$22 million was paid out last month to the United States in respect of the repatriation of the 24.8 per cent ordinary stockholding in Associated Electrical Industries Ltd. that was previously held by the

TREND OF DOLLAR SURPLUS
(\$ million)

	EPU settlements†	Gold payments (–) or receipts (+)	Purchase of "arbitrage" commodities	Other gold and dollar balances	American aid	Change in reserves	Reserves at end of period
Sept., 1952...	– 5	– 20	+	11	+	27	1,685
Oct., 1952...	+	37	–	40	+	50	1,767
Nov., 1952...	+	96	–	65	+	70	1,895
Dec., 1952...	+	80	–	40	+	61	1,846*
Jan., 1953...	+	58	...	30	+	44	1,978
Feb., 1953...	+	18	...	74	+	33	2,103
Mar., 1953...	+	19	...	15	+	29	2,166
April, 1953...	+	11	...	76	+	20	2,273
May, 1953...	+	21	...	14	+	13	2,321
June, 1953...	+	10	...	8	+	28	2,367

* 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.

General Electric Company of New York. Allowing for this special payment and for other more modest transfers of capital to Canada during the past month, the reinforcement of the reserve does not appear unsatisfactory. Moreover, this is the time of year when sterling area products are not earning large amounts of dollars. The seasonal rise in dollar income earned from primary commodity exports from the sterling area is due to begin in a couple of months with the opening of the Australian wool sales. It remains to be seen how the new freedom in the grain market will affect the flow of the reserves.

In June the balance of payments was probably beginning to feel the benefits of the unusually large tourist expenditure in Britain before, during and immediately after the Coronation ceremonies. Tourist dollars take some time to go through the accounts, but the heavy payments for air and sea traffic were undoubtedly reflected in last month's figures. On the other hand, British tourist expenditure on the Continent is now beginning to gather momentum; but since it is cleared through the EPU mechanism, its effect will not become apparent in the reserve figures until next month. The EPU surplus earned by the United Kingdom last month amounted to £1.5 million. It will fall to be settled later this month, involving a receipt in gold or dollars of £750,000 and an equal reduction in the United Kingdom overdraft with EPU. The modest proportions of last month's EPU surplus were in part due to the mounting tide of British tourist expenditure on the Continent and also to the fact that in June exports of sterling area commodities to the Continent of Europe are at a seasonal ebb. The June figures were also burdened by the payment of interest on the British overdraft with EPU and by a repayment of some £1,500,000 of Italian sterling balances.

First Quarter's Deficit

THE Exchequer returns for the first quarter of the fiscal year are this time much more closely in line with the pattern indicated by the budget than they were at this time last year—when the Treasury was at pains to explain away a large discrepancy by citing the notorious unreliability of the first return as a guide to the full year. Last year's return in fact proved the exception to this rule, for most of the shortfall from estimates still remained at the year-end. Another exception would be welcome this year, since the impression given by this week's figures is quite favourable. Ordinary revenue, it is true, is down by £26 million, at £845 million; but expenditure, including sinking fund provisions, is down by nearly £71 million, at £1,002 million, so that the "above-line" deficit is £45 million smaller than last year, at £156 million.

These figures, however, like the budget accounts themselves, are nowadays distorted by the intrusion of the sterling counterpart of dollar aid, which is brought in as an undisclosed abatement of defence expenditure. This artificial accounting had not begun to operate in the early months of 1952-53, so that the whole of the £85 million for that year was credited in the last nine months. In this past quarter, the full proportionate share of the year's estimated credit of £140 million has been duly applied; and this merely

...artificial accounting difference explains half the reduction shown in total ordinary expenditure. Elimination of this distortion does not, however, make the budgetary prospect look worse; if defence aid is excluded from the accounts, the estimated decline in expenditure for the full year becomes, not £92 million, but only £37 million—and all but £1 million of that decline has been shown in the first quarter. But in the similar period of 1952-53 defence expenditure was heavy, and the full benefit of the year's reduction in subsidies had not been felt. It would be unwise to deduce that the Government is succeeding in under-spending. On the revenue side, no conclusions can safely be drawn. The fact that ordinary revenue has already lost more than one-third of the £71 million loss expected in the full year is not informative, because so large a proportion of the direct taxation is collected in the final quarter. Income tax, expected to rise by £46 million in the year, has so far lost £21 million; but profits tax has lost no more than that, although the eventual loss was estimated at £162 million. EPL, expected to yield £96½ million more, has so far contributed only £10 million. Customs and excise, expected to drop by £38 million, have risen by £5 million.

Upon the above-line account, the only reasonable comment is "so far, so good." The below-line trend looks more positively satisfactory. Net expenditure (excluding interest debits and credits outside the permanent debt charge) has dropped by £34 million, to £120 million, so that the total deficit for the quarter is £277 million, compared with £356 million in the first quarter of 1952-53 (but in contrast with only £109 million two years ago). It is not clear, however, whether the below-line improvement can be expected to endure. A large part is due to an unexpectedly sharp decline of £18½ million in new loans to local authorities, whose borrowings for the full year were estimated at only £12 million less than in 1952-53. Yet there is no reason to suppose that the authorities are using their new freedom more vigorously than seemed likely at budget time.

The Coal Horoscope

IT is prudent to begin worrying in June about a coal crisis next winter; but it is not easy to make any realistic assessment of the danger. To the National Coal Board, the 1953 coal winter now looks less safe than 1952 but more comfortable than 1951. Both those years, of course, had mild winters.

To start this coal winter with 18½ million tons of coal in distributed stocks, the industry would need to put an extra three million tons into stock from current production by the end of October; it has about 14½ million tons in those stocks already and a spare million besides in its abnormally large opencast stocks. This task may just be within its powers. During the same four months of last year it added more than 3½ million tons to its stocks at collieries and opencast sites; coal was not easy to sell. The recent rate of mining production, when the effects of holidays are taken out, may be about 100,000 tons a week higher than at this time last year, according to involved calculations by the Coal Board; such a rate of output might offer an extra 1½-2 million tons by the end of October.

On the other side of the account, the second week's holiday for the miners will probably reduce output by some 3-3½ million tons more than holidays did last year; inland consumption is rising steadily, and the board would like to export more in the second half of this year than it did in the second half of 1952. Such a sum of conjectures suggests that the industry has a chance of attaining its safety level of stocks, but not a comfortable one.

Whether stocks in consumers' hands totalling 18½ million tons would preclude shortages of certain types of coal is no more sure than that stocks somewhat less than 18½ million tons would necessarily spell crisis. The industry needs about 9 million tons in these stocks at the end of the winter, and stocks, the arguments go, might run down during the coal winter by 9 million tons or more; though since accurate records began to be kept in 1943, they never have done so. For the present, the danger of any general coal crisis looks rather less than that of shortages of house coals, which indeed appear fairly certain. The installation of thousands of the new economical grates that will burn small coals has not made consumers any less insistent upon large coal; indeed, most of the new grates now in service were designed to burn coke, and the householder's dislike for nutty slack is not to be derided. Nevertheless, there may well be a case today for a measure that the Ministry of Fuel and Power forbade the Coal Board to bring into effect this spring—namely, price changes that would make the larger coal more expensive and cheapen the smaller coals that people like less but have to take.

The Princess Victoria Report

THE full report of the inquiry into the loss of the motor vessel *Princess Victoria* in the Irish Sea on January 31st was published this week, and it was announced that the British Transport Commission, which owned this cross-channel steamer, had three weeks in which to decide whether to appeal against the court's findings. These were, broadly, that the vessel was unseaworthy because the stern doors were inadequate, as were the arrangements to clear water from the freeboard deck; and that the loss of the vessel and 133 lives was caused by or contributed to by the default of the owners and managers. It is not yet known whether the Commission will appeal; but Lord Leathers stated that the Minister had no intention of ordering a re-hearing.

Dr. A. M. Robb, Professor of Naval Architecture at the University of Glasgow, who was one of the three assessors to the court of inquiry, signed the report with certain reservations, proposing alternative answers to those given by the majority to three of the 48 questions covered in the report. He has since amplified his views on these points in a memorandum to the Minister of Transport which is now published as an addendum to the formal report. He holds that the list caused in the ship by an accumulation of water on the freeboard deck, which culminated in its capsizing, might have been reduced by the opening of the sliding doors in the sides of the ship; but since this would have been a choice between evils, he does not hold that failure to open these doors amounted to default on the part of the ship's company. He does not agree with the other members

that failure to provide sufficiently strong stern doors constituted default upon the part of the owners and managers, believing that the owners had not received sufficient indication of the weakness of these doors from an earlier incident in 1951 to make their failure to strengthen them amount to default. Finally, he holds that the loss of life in the sinking, primarily due to the default of the owners and managers, was contributed to by default upon the part of the ship's company. This conclusion he bases upon the view that the flooding of the ship's lounge, which contributed to the capsizing of the ship, did not appear to have been investigated as soon as it began; and that the positions given in radio signals from the ship, which appear to have delayed the arrival of the Portpatrick lifeboat upon the scene of the disaster, were inconsistent, some of them appearing to be inaccurate.

Equalising the Rate Burden

Few matters in the mysteries of local government finance and its relations to the central Exchequer are more complicated, or more controversial, than the working of the Equalisation Grant. In principle, the Equalisation Grant is intended to secure sufficient equality between the financial resources of county and borough councils so that expenditure on essential services shall not be jeopardised by the smaller rateable capacity of the poorer authorities. In practice, the equalisation system works with the crudest of rough justice. Some prosperous authorities receive a grant; others less well off do not. The anomalies arise largely through the formula that is used for calculating the grant. If a county or county borough has an actual rateable value below its "standard rateable value," it is entitled to grant. The system, in effect, presupposes common and nationwide standards of valuation for rating that do not exist. A revaluation was to have been completed by last April; it has been deferred until (it is hoped) April, 1956, and it remains to be seen whether a uniform national basis of valuation will emerge from it.

The Committee that has been examining the working of the Equalisation Grant was limited, by its terms of reference, to mitigating some of the anomalies in the existing system, and not with radical revisions which, if they come, will have to await a later occasion. Its report suggests an amendment to the formula for calculating the grant by using a datum figure of £7 of rateable value per head of weighted population instead of the national average of about £6.2 per head. This change would bring twelve local government areas into grant that do not at present benefit. For the special case of London the committee suggests an entirely new scheme, by which 70 per cent of the expenditures of all the boroughs would be pooled; this would encourage more equal rate poundages throughout the London area.

These are the barest bones of the committee's recommendations. But two general points can be made about them. First, it is desirable (as the committee urges) that county district councils, whose independence has tended to become submerged under the combined weight of the counties and of the central government, should have a direct participation in the grant, if they rank for it. It is, however, distinctly doubtful if the consequential changes in

district rates and county precepts that might then occur would be universally welcomed. Secondly, this report, complicated though it necessarily is, throws light on only one aspect of local government finance and its relations with the central Exchequer. The prospects of a renewal of healthy and independent local government rest upon more radical revisions of these relations than the committee was asked to undertake.

Teeth for the Merchandise Marks Act?

THE Merchandise Marks Bill, which received its second reading in the House of Commons last week, seeks to fulfil a promise made by the Government, when the utility schemes were abolished more than a year ago. Its object is to provide the public with better assurances of quality than those that were alleged—not always with justification—to have been provided by the utility schemes. Under the old Merchandise Marks Act, a trader could be prosecuted for wrongly describing the weight, measure, materials or method of manufacture of an article. The new Bill recognises that fraud, where it exists today, involves more technical subtleties. For example, new materials and new methods of treatment can be used to impart special properties to fabrics, and descriptions of goods specifying these properties do not fall within the scope of the existing Act. It is rare to find a black-and-white case of an article described as something that it is palpably not, but unjustified claims that an article has certain properties are not unknown. The new Act seeks to meet these cases by covering not only wrong descriptions of the substance of the article, as at present, but also claims for "quality, fitness for purpose, strength, accuracy, performance or behaviour of any goods." It also provides for prosecution in cases where an article is described in a way that is misleading, even if not technically untrue.

The revised version should provide the public with stronger safeguards against the possibility of unscrupulous exploitation than either the existing Act or the "British Standards" for consumer goods. These standards are still under protracted discussion; they have provoked mixed feelings in the industries concerned and have not evoked the interest of the public on whose support their success depends. But the Bill is at present so worded that, in the opinion of those who know the difficulties of conducting a successful prosecution under the existing Act, there is real doubt whether a good legal case could ever be based on it. The President of the Board of Trade may have had this weakness in mind when he said, in presenting the Bill, that he hoped it could be improved in Committee. The two key words, "quality" and "misleading," on which the effectiveness of the Bill rests, are too difficult to define as they stand. Several attempts have been made to relate these terms to "the physically ascertainable and definable characteristic of such goods," a phrase that would help the lawyers to provide some tangible evidence of what went to make up the properties that wrongly-described goods were alleged or even implied to have possessed. Unless some means is found of defining "quality" with precision, false or misleading descriptions will themselves remain undefinable.

CHAGAS DISEASE



IN large areas of South America, up to half of the population suffer from the effects of Chagas disease—an illness that causes acute debility, fever, and often idiocy, paralysis and death. There is no known cure for Chagas disease, and, until recently, there was no effective method of preventing its spread, for the large, bloodsucking bugs that carry it are immune to most insecticides. In 1948 I.C.I. undertook experimental work in the control of the Chagas disease carrier when a technical service man from I.C.I. General Chemicals Division visited South America in connection with the use of "Gammexane" insecticides. Laboratory tests carried out in Chile, Argentina, Brazil and Uruguay gave such promising results that a full scale field-trial was arranged. This took place at an up-country village in Uruguay where the interior of every infested building was sprayed with a "Gammexane" preparation. The trial was an outstanding success. A single application of this powerful insecticide wiped out the entire bug population of the village. As a result of this technical service work by I.C.I., campaigns to eliminate Chagas disease are now being undertaken in a number of South American republics.



FIRE! QUICK!
WHERE'S YOUR
NU-SWIFT?

The World's fastest
and most reliable
Fire Extinguishers
Pressure-operated by sealed CO₂ Charges
NU-SWIFT LTD • ELLAND • YORKS
In Every Ship of the Royal Navy

ALLIANCE

ASSURANCE COMPANY LIMITED



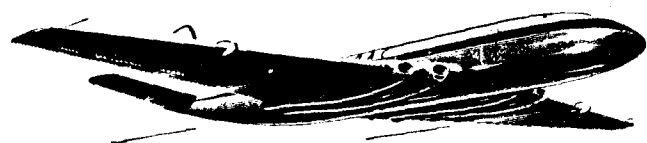
Established

1824

Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL
CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.



FLY FAR FASTER BY

B.O.A.C.

Comet JETLINER

B.O.A.C. offers you the world's finest, fastest flying
— at no extra fare. Frequent Comet services to the
Middle East . . . Pakistan . . . India . . . Ceylon . . .
Singapore . . . Japan . . . South Africa.

Complimentary meals. No extras. No tips.

Other services to all six continents.

New low fare Tourist services on many routes.



Book where you see this sign, or at B.O.A.C.,
Airways Terminal, Victoria, S.W.1 (VIC 2323);
75 Regent St., W.1 (MAY 6611), or offices in
Glasgow, Manchester, Birmingham and Liverpool.

105 MILLION PASSENGER MILES AHEAD
IN COMET JETLINER EXPERIENCE

FLY BRITISH BY B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

THE UNITED
STEEL
COMPANIES LTD.

THE LARGEST STEEL PRODUCERS IN THE BRITISH COMMONWEALTH

The United Steel company has, since its inception and during the lean inter-war period, prided itself upon progressively foreseeing the needs of the steel-consuming industries, and upon its ability to extend itself to meet these needs from plant of high technical efficiency. Since the war, very large sums have been invested in erecting new plants, adopting new methods and modernising older equipment, to improve the quality of the product and the efficiency of production.

Developments such as these have made the high reputation of British steel throughout the world. The United Steel company is one of the leaders in technical progress and is as efficient a producer as any in the country.

SOME FIGURES ON CAPITAL DEVELOPMENT

£30,000,000 has been spent during the years 1945 to 1952
£10,000,000 will be spent in 1953, and further large sums in subsequent years.

APPLEBY-FRODINGHAM STEEL COMPANY
SAMUEL FOX & CO. LTD.
STEEL PEECH & TOZER
UNITED STRIP & BAR MILLS
WORKINGTON IRON & STEEL COMPANY
UNITED COKE & CHEMICALS COMPANY LIMITED
UNITED STEEL STRUCTURAL CO. LTD.
DISTINGTON ENGINEERING CO. LTD.
YORKSHIRE ENGINE CO. LTD.

THE UNITED STEEL COMPANIES LTD.
SHEFFIELD

Cheaper Aluminium

THE £11 reduction to £150 per ton in the price of virgin aluminium ingots, announced this week by Aluminium Union, should give a flying start to the resumption of private trading in the metal. The company, which is the trading organisation for Aluminum Company of Canada, supplies about 80 per cent of Britain's requirements, and its new price sets the standard for the industry. The output of British Aluminium, the only home producer of ingots and the second largest fabricator, covers slightly less than half its needs; it buys the remainder principally from Canada.

This is the second reduction in aluminium prices this year. The first, made by the Ministry of Materials in April, was a cut of £5 per ton. Between the end of 1951 and October, 1952, the price jumped by 34 per cent, largely reflecting the hardening of the Canadian dollar against sterling and other cost increases, but perhaps explained in some part by Alcan's understandable desire to recoup some of the costs of its vast expansion programme as quickly as possible. This year's reductions reflect the weakening of the dollar, and the desirability of stimulating consumption in this country.

In contrast to the United States, where the market is still very firm, British demand fell off sharply towards the end of last year, owing mainly to the decline in industrial output, to the easing of the steel shortage, and to buyers' anticipation of lower prices. Consumption has recently improved, but most of the bigger aluminium rolling mills are still working well below capacity. The new price should encourage consumers towards more confident buying and to rebuild their stocks. Aluminium fabricators have been quick to announce correspondingly lower prices for their products. Aluminium has lost nothing of its competitive advantage in relation to copper, lead and zinc, but has been losing ground to steel and tinplate and also in certain marginal, but potentially important, uses. In overseas markets, the industry has been meeting sharper competition in standard lines from West German, Austrian and Japanese producers. If the new price fails to encourage consumption sufficiently, the ingot producers should have some further room for manoeuvre, providing the down trend in costs continues.

Herrings for Russia

BRITAIN has entered into another barter deal, similar to the one made last year, to take canned salmon and crab meat from the USSR to the value of £1,090,000 in exchange for cured herring valued at £973,000 and tinplate to the approximate value of £117,000 to "clothe" the salmon and crab and balance the deal. Last year the Government took £950,000 of Russian salmon and crab. The present barter arrangements are that the Russians will buy British caught fish from Associated Herring Merchants, Ltd., acting for the Herring Industry Board; they will also buy tinplate from British firms; for both of these purchases the Russians will pay cash. On the other hand the Ministry of Food undertakes to buy for cash Russian salmon

and crab to a value equivalent to the Russian payments for herrings and tinplate. The Russian shipments are expected to reach this country in the autumn. Both governments have entered into this bargain to assist their own industries; neither government would classify the fish imports as "essentials."

Before the war Britain imported annually about 55,000 tons of canned salmon, mainly from Canada, the USA and Japan, countries with which there are now balance of payments difficulties, and also from Russia; imports have since fallen off and last year amounted to only 8,000 tons, though they cost £2.3 million. The imported canned fish sells readily at the controlled prices, canned salmon at 5s. 6d., 4s. 6d. or 3s. 6d. a lb, according to quality, and canned crab meat at 3s. 9d. a half lb.

Rayon Staple Price Cut

THE decision of Courtaulds Limited to cut the price of rayon staple yarn by 3d. to 2s. a pound was to be expected. Since wood pulp prices began to fall last year the textile industries have been assuming that the price of rayon yarns would eventually reflect this fall in raw material prices. The rayon industry, which experienced a sharp fall in production last year, must have been carrying heavy stocks of pulp bought earlier at high prices, and it was certainly carrying heavy stocks of yarn made from high-priced pulp. Stocks of yarn had been disposed of by the end of the year, when the rayon factories resumed work at full capacity, and this first price cut suggests that stocks of expensive pulp are also disappearing. In spite of its low price, rayon staple is highly vulnerable to competition. It is a yarn with few uses outside the clothing trade, and sales have been affected by the recent return to favour of cotton. Spun rayon cloths meet stiff competition in the export markets, while capacity has

Natural fibres	Price per lb s. d.	Synthetic fibres	Price per lb s. d.
Silk (raw yarn)	40 6	Terylene (staple fibre) ..	15 0
Wool (tops 46s)	6 10	Nylon (staple fibre)	11 3
Cotton (raw American type)	2 7	Ardil (staple fibre)	4 2
		Rayon (acetate staple) ..	3 5
		Rayon (viscose staple) ..	2 0

been expanded considerably from an average of 10 million pounds a month in 1949 to 17 million pounds in both January and March this year.

Courtaulds, the major producers of rayon staple, may therefore feel under some pressure to widen the market, but the recent announcement that Imperial Chemical Industries intended to double its capacity for producing "terylene" yarn before the first full-scale unit has come into production is a sign of strong confidence in the market for synthetic fibres. ICI has an interest in each of the three newest fibres, nylon, "terylene" and "ardil," to appear on the British market.

The impact of these new fibres on the textile market is not, however, likely to be very dramatic for the present. The combined output of all three plants when the extensions contemplated have been completed will not greatly exceed 70 million pounds of yarn a year, which would represent only a few weeks' output of the long-established textile

fibres. Rayon production is running at an annual rate of about 400 million pounds a year, wool at the rate of about 500 million and cotton at the rate of about 800 million pounds. These are rough figures but they serve to put the role of synthetic fibres in perspective. The comparative prices of the natural and synthetic fibres perhaps explain this difference in the planned volume of output. It is perhaps significant in this connection that the prices of natural fibres fluctuate freely in world markets, while the prices of man-made fibres are governed by comparatively few producers.

Passengers by Helicopter

THE passenger-carrying helicopter service that the Belgian airline Sabena intends to open in August will be the first commercial scheduled operation with such machines. British European Airways started the world's first passenger helicopter service several years ago, but the intention then was to gain experience for the time when bigger machines were available. In the United States, there are a few mail and freight services, but no scheduled service carrying passengers. The nearest approach to one is the flying taxi service now being introduced by an independent company between New York's three airfields. Sabena, which has bought three 7-seater Sikorski helicopters, expects to open a regular passenger service in August, from Brussels to Lille and Rotterdam, extending it later to Cologne and Saarbrücken. The fare will be the same as for a fixed-wing aircraft.

The principal appeal of helicopters is their ability to land passengers at their destination and not at an airfield several miles from town. Sabena starts with the considerable advantage of having obtained permission to take-off and land from the centres of the cities being visited, Antwerp being the only exception. The landing site consists of a 60-foot square of concrete with a small terminal building. British European Airways does not land in city centres because of the risk of flying a single-engined machine over built-up areas. The helicopter rotor acts as a parachute should the engine fail in mid-flight, and its windmilling action brings the machine down without an unreasonably hard drop. But if the engine fails at take-off, the helicopter may not have gained enough height for the rotor to act in this way. BEA will therefore not fly into city centres until it has a twin-engined machine in service, which may not be for some years. Sabena, which has been using the landing site in Brussels for a mail service for nearly three years, overcomes this difficulty by taking off near the canal and following its course for the early part of the flight. Emergency landings that might not be possible on land can be, and have been, made on the water without serious damage.

The most noticeable feature about the Belgian venture is the degree of co-operation that the airline has received from the civil authorities within whose towns its helicopters will land. They have made it possible for the airline to operate its helicopters under conditions that approach the ideal for this form of transport. The mail service has already shown that helicopters need the minimum of ground facilities, and the noise has not brought any com-

plaints—at least to official sources. The civil authorities who have discussed at length and inconclusively the possible site for a helicopter station in London might perhaps learn something from Belgian experience.

Production Makes Good

INDUSTRIAL production in April and May this year seems likely to have been about 4 per cent higher than a year before and at about the same level as in the same months of 1951. The official index gives a provisional figure of 118 for April output in industries, and says the "all industries" figure for May, from information so far received, is expected to be 119-120; comparable figures for 1951 and 1952 are shown in the table. Manufacturing production in March and April was about 4 per cent higher than in 1952, and taking April alone, the increase was more than 5 per cent;

OFFICIAL INDEX OF INDUSTRIAL PRODUCTION

	All industries			Manufacturing		
	1951	1952	1953	1951	1952	1953
January	116	118	117	119	120	118
February	122	120	121	125	123	122
March	116	123	124	118	126	126
April	122	110	118	126	112	118
May	116	117	119-120	121	120	...
June	122	112	...	127	113	...

but again these 1953 figures were hardly changed from the same months in 1951. The recovery in industrial activity, which had become noticeable before the Budget, is obviously continuing; but it is too early yet to detect from the official indices any marked effect from the budgetary measures to encourage output. From outside indications, perhaps the most encouraging sign is of some recovery of demand for engineering products, and not wholly those that are largely dependent upon vehicle output; but the recovery has still to reach various sections of engineering.

Towards a Tin Agreement?

THE working party of the International Tin Study Group ended its Brussels meeting on a note of progress for the discussions brought producers and consumers appreciably closer on methods of stabilising the tin market. These methods envisage the control of exports by governments, the creation of a buffer stock and adjustment of prices from time to time. Prices were not formally discussed; this will be a big enough stumbling block when the time comes. The producing countries seem to have been left with the potential problem of financing the buffer stock, for consumers were more lukewarm about sharing this burden than



... the business interests of this country and the vast Australian continent. Whether you are travelling or selling to Australia you will find facilities available that extend beyond the usual financial ones. You are invited to use our travel, information, commercial introduction and intelligence services—services which business men in particular appreciate.

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 Street, W.1
 Over 660 Offices in Australia Assets £229 Million

THE UNITED COMMERCIAL BANK LIMITED

(Incorporated in India. Liability of Members is limited)

Head Office:
 2 ROYAL EXCHANGE PLACE,
 CALCUTTA

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL Rs. 80,000,000
 SUBSCRIBED CAPITAL Rs. 40,000,000
 PAID-UP CAPITAL Rs. 20,000,000
 RESERVE FUND Rs. 7,500,000

With over 90 Branches at the leading centres of Industry and Commerce in India, Pakistan, Malaya and Burma, The United Commercial Bank is well equipped to serve Banks, Commercial Institutions and individuals carrying on business with India or intending to open connections with that country.

B. T. THAKUR, General Manager.

The Foreign Clerk

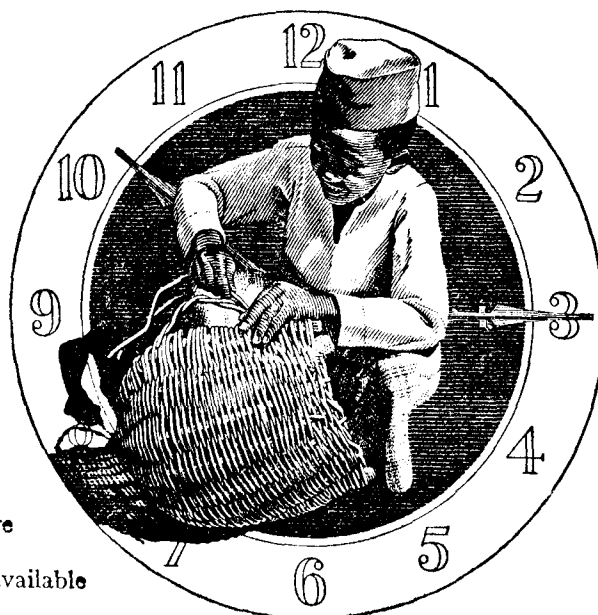


The intricacies of Exchange Control are part of his everyday work, and he is experienced in the handling of the forms which are necessary for foreign trade and travel. You will find that, whether you are planning new business overseas or merely arranging a holiday on the Continent, his understanding of the financial regulations involved can be of great help to you. He is one of a staff of 19,000 whose knowledge, experience and goodwill are at the disposal of all who bank with

BARCLAYS BANK LIMITED

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.

ANOTHER SUCCESSFUL YEAR!

THE ANNUAL REPORT FOR 1952 SHOWS THE FOLLOWING FACTS:

New sums assured	£5,023,688
Premium Income	£1,764,995
Rate of interest—Gross	£6 : 5 : 11%
" " " —Nett	£4 : 14 : 0%
Life Assurance and Annuity Fund at end of year	£18,944,885

INTERIM BONUS RATES:—

WHOLE LIFE 50/-%
ENDOWMENTS ... 35/-% to 47/6%

FOR FULL DETAILS, AND FOR A COPY OF THE ANNUAL REPORT FOR 1952, WRITE TO:—

NATIONAL PROVIDENT INSTITUTION FOR MUTUAL LIFE ASSURANCE

— Established 1835 —

48, GRACECHURCH ST., LONDON, E.C.3.

Telephone: MANSION House 1481



LONDON SYDNEY MONTREAL PERTH TORONTO VANCOUVER
CALCUTTA BOMBAY MELBOURNE
LAHORE JOHANNESBURG KARACHI
BULAWAYO

ASSOCIATES:

C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: Brimclacor, London. CABLES: Brimclacor, London. TELEPHONE: MONarch 8055
Branches at BIRMINGHAM and SWANSEA

about other aspects of an agreement. The attitude of the United States delegation, though non-committal, was noticeably sympathetic, in contrast to their hostility to any form of agreement during the abortive Geneva conference in 1950—a change of heart that probably results more from recognition of the political dangers of low tin prices in South East Asia and elsewhere than from any sudden tenderness for producers as such.

The price of tin, which fell steeply after the Korean boom collapsed from its fantastic peak of £1,615 per ton, has continued to decline in the last eighteen months. The present price of around £660 per ton is still some £50 above the level of the first half of 1950, but a further fall is to be expected when American stockpile buying ceases at the end of this year. High cost tin producers thus have an interest in establishing a floor price above their production costs, while most consumers would welcome an assurance of supplies within a ceiling price. Consumption of tin, unlike that of other metals, has not expanded in the last 15 years. An enormous rise has occurred in world output of tinsplate, but new methods of plating have made possible great economies in the use of tin. In all recent years there has been a surplus of production, which stockpile buying alone has kept off the open market.

Assuming that governments favour the suggestion of the working party that the Geneva conference should be reconvened, this could hardly happen before November. If an agreement followed, it could hardly come into force within a year from now, and it remains extremely doubtful whether Congress would ratify it. Whether it is desirable is still an open question. Tin exports from some high-cost producing countries are so important to their viability that in times of low prices their governments would almost certainly find ways of subsidising them. In Malaya, the Chinese-owned mines also have high costs; most of the European mines there could probably take care of themselves, and the same applies to the larger Nigerian mines. The smaller Nigerian producers would undoubtedly suffer from price competition. The arguments in favour of an agreement are predominantly political, rather than economic.

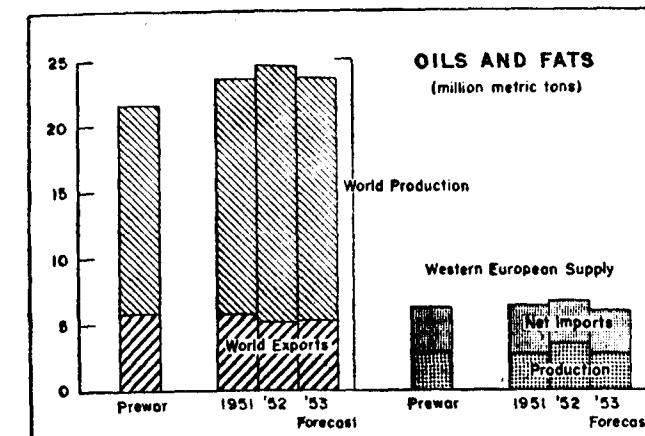
Forecast for Fats

TOTAL supplies of oils and fats last year were virtually back to the prewar level, after allowing for the growth in world population; consumers could have as much per head as before the war, and use in addition the equivalent of 500,000 tons in the form of synthetic detergents. Current supplies, excluding frozen stocks, are fully adequate to meet current effective demand. Making this forecast in his annual address to the International Association of Seed Crushers this week, Mr J. C. A. Faure, of Unilever, estimated that world production of oils and fats in 1953 might reach 23,660,000 metric tons, about 890,000 tons less than last year and roughly equal to the 1951 output.

This reduction in prospect arises almost entirely from a smaller olive oil crop, although this, plus any carry-over stocks, should be adequate to meet this year's consumption. Smaller outputs of groundnuts, sunflower seed, copra, whale oil, sperm oil and lard are expected, but these should be offset by larger outputs of palm oil, palm kernel oil, linseed

oil, butter and some other items. Mr Faure was anxious that the present outlook of oils and fats should not give a false impression of security; he asserted, indeed, that the current rate of world production would be quite inadequate to meet demand from a growing population in two or three years' time.

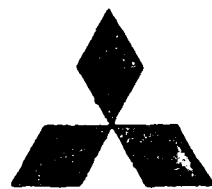
World exports this year are forecast at 5,210,000 tons, whereas import requirements are put at 5,020,000 tons. West European consumption should be only fractionally lower this year at 6,350,000 tons; the running down of stocks is estimated at about 300,000 tons, leaving Europe's net import needs practically unchanged at 3,168,000 tons. Despite the significant increase in world output last year, world exports fell from 5,741,000 to 5,159,000 tons, and



Western Europe's net imports from 3,614,000 to 3,156,000 tons. There was no technical need for Europe to buy oils and fats from the United States, but it did so to the extent of 465,000 tons. Dollars were available and prices were attractive. Mr Faure estimated that surplus stocks in producing countries carried over into 1953 totalled 450,000 tons. A further 650,000 tons were held by the US Commodity Credit Corporation, and at least 500,000 tons in strategic reserves, all of which represent in greater or less degree a potential increase to world supplies. In addition, stocks in Western Europe increased by some 500,000 tons, the larger portion of this being olive oil. Of the 1,600,000 tons in stock in producing countries, Mr Faure believes that just over one million tons were built up during the past two years.

Good Year for Wool

THE last of the raw wool sales in Australia this week—auctions have already ended in New Zealand and South Africa—brought to a close a season satisfactory to wool growers and manufacturers alike. According to estimates submitted by the Commonwealth Economic Committee to the recent International Wool Textile Conference in Lisbon, world production of raw wool in the 1952-53 season was 2,435 million lb, some 6 per cent more than for the previous twelve months; but the increased supply was comfortably absorbed at prices which rose steadily and with an absence of the erratic jolts which in the past have been so unsatisfactory to the wool textile industry.



THE MITSUBISHI BANK, LTD.

THE CHIYODA BANK, LIMITED

has reverted to its former name as from July 1, 1953.

Capital paid-up: ¥2,750,000,000.-

Head Office: Tokyo Japan Branches: 156 throughout Japan

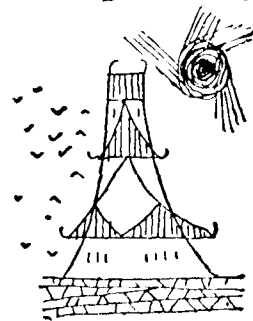
New York Agency: 111 Broadway, New York 6, N.Y.

CABLE ADDRESS: CHYODABANK

If It's About
Japan-----

SANWA BANK

(Authorized Foreign Exchange Bank)



Chairman of the Board
& President: TADAO WATANABE
Capital: ¥2,500,000,000
Head Office: IMABASHI, OSAKA
Tokyo Office: GOFUKUBASHI, TOKYO

SAN FRANCISCO BRANCH:
465 CALIFORNIA STREET, SAN FRANCISCO
A complete network of 185 nationwide
branches and worldwide correspondents



BAYERISCHE VEREINSBANK

Every description of Domestic and
Foreign Banking Business transacted

Munich Office: 14 Kardinal-Faulhaber-Strasse

Cable Address: "Vereinsbank" Phone: 28401. Telex No. 0631443

Nuremberg Office: 21 Lorenzerplatz

Cable Address: "Bayverein" Phone: 27741. Telex No. 0612217

Augsburg Office: 37 Maximilianstrasse

Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067120

Offices and Branches all over Bavaria
Correspondents throughout the world

THE ECONOMIST, JULY 4, 1953

Australian wool prices clearly illustrate this tendency through the year. Merino 64s., clean delivered United Kingdom, opened last September at around 128d. per lb and touched 162d. this June, although the price later fell to 152d.; similarly, crossbred 50s. quoted at about 68d. at the opening in September stood at about 77d. in June, and have also suffered a slight weakening since. The long-feared release of Argentine and Uruguayan stocks merely helped to keep crossbred prices steady and in the long run helped markets by removing the uncertainty which their existence created. About a month ago, prices rose a little on unexpected, and possibly over-delayed, Russian buying. The only serious disappointment of the year was the absence of any strong American demand.

Prices were sustained during the year, despite the large new clip and the release of the old South American clip, thanks to the readiness of the recovering textile industry, though cautiously, to rebuild its depleted stocks. At the opening of the season next September, manufacturers' stocks will be higher than a year ago; moreover, textiles made with dearer wool will be reaching the public, and their reaction will be watched with interest tinged with anxiety. Nevertheless, the wool market is healthy and the general expectation is that next September prices will open at around present levels, that is, somewhat below the peak of the past season. On this, perhaps, a final pointer will be provided by the last London wool auctions between July 10th and July 24th when some 66,000 bales, mostly Dominion, will be offered.

Research in America

SEVERAL Commonwealth governments maintain a joint scientific mission in Washington. Its primary purpose is to act as a channel for the exchange of scientific information between the United States and the countries represented on the mission. Each year, for the past five years, an annual review has been prepared showing the amount of money being spent on research in the United States and the principal projects in hand. The decision to publish the latest of these reviews, though it deals with the twelve months that ended in June last year, provides a concise and complete survey of American research expenditure and activity as seen through the eyes of foreign observers. In 1952, the total amount spent on research in the United States was expected to reach nearly \$3,000 million, of which the Federal government was responsible for providing 56 per cent. This vast sum represents nearly one per cent of the gross national product of the United States.

The amount that industry itself was spending on research during 1950 and 1951 represented about 8 per cent of the sum being spent on new plant. But the Federal government was responsible for initiating a good deal of this research expenditure. Ten years previously industry and the universities looked to Washington to finance about 7 per cent of their research; by 1952, it was paying for nearly 40 per cent of all the work done in industrial and university laboratories. The accompanying table summarises research expenditure during the past few years.

A great deal of the money was being spent on military projects; more than 90 per cent of Federal research

expenditure can be accounted for in this way. The atomic energy projects, which are expected to absorb \$4,200 million for new building alone over the next five years, account for only a small proportion of the military total. But military research is not wholly concerned with weapons. Many projects of long-term value to industry have been sponsored in the name of defence. Electronic computers, the production of which is now a minor industry, and many metallurgical developments fall under this heading. To meet military specifications, a great deal of important work is being done on new alloys, and on the bulk production of metals like titanium, molybdenum and vanadium,

US RESEARCH AND DEVELOPMENT EXPENDITURES
(Millions of dollars)

Year	Total	Source of funds		Use of funds by type of institution		
		Federal	Other	Industrial	University	Federal
1941.....	800	240	560	520	80	200
1947.....	1,810	790	1,020	1,120	170	520
1948.....	2,060	920	1,140	1,290	200	570
1949.....	2,080	1,050	1,030	1,310	220	550
1950.....	2,240	1,040	1,200	1,430	240	570
1951.....	2,590	1,310	1,280	1,630	260	700
1952.....	2,930	1,640	1,290	1,820	280	830

their properties and techniques of processing them. Pressure towards national self-sufficiency has led to work on the extraction of low-grade ores, and there are several separate commissions dealing solely with the conservation of materials. This pressure has also been instrumental in the rapid expansion of the chemical industry—more than \$1,500 million is believed to have been spent on new chemical plant in 1952—for chemicals can provide new materials and new ways of producing materials that would otherwise have to be imported. The plan to produce benzene from naphthenes in natural petroleum, instead of the more usual method from coal tar is a typical example; the United States has been an importer of benzene.

Freight Markets Quiet

IN the last few weeks activity among charterers has been too low to test the market adequately, and freight rates generally have tended to weaken. The Chamber of Shipping index of tramp freight rates for May was 97.4 (1948 = 100), and it will not be surprising if the June figure turns out to be much lower. Even so, the general level of rates is still higher than it was in the summer months of 1950, before the Korean war began. Charterers seem to have been withholding from the market, particularly for grain from the St. Lawrence, and are hoping to take advantage of the unsettled state of the China trades and of the chances of employment in Korean and Far Eastern waters, as well as of the piling up of tonnage on this side of the Atlantic and the apparent lack of outward cargoes.

On the other hand, there is some confidence in the possibility of improvement later in the autumn. The ore chartering market continues to be fairly active, and

moderately good rates can still be obtained for vessels on time charter, although generally only for short periods. The resumption of grain shipments from the United States to Pakistan will provide certain employment for a number of vessels, and sooner or later grain must be moved from the St. Lawrence, Australia and the Plate. Once rates start rising, grain charterers will be only too anxious to avoid missing the market, and shipowners will be in a stronger position. Despite the quietness of the present markets, the fall in the prices of secondhand Liberty ships, for example, has not been as steep as many brokers predicted three months ago; and there has been no evidence of a marked increase in ships laid up.

SHORTER NOTES

Interest received on outstanding claims under the War Damage Business Scheme will not be liable for EPL this year; this relief has been assured by allowing the companies concerned to have their claims under this scheme postponed from the beginning of next October to January 1, 1954, the day on which EPL is removed from the Statute book.

July 13th has been set by the Minister of Supply as the appointed day under the Iron and Steel Act, when the nationalised Iron and Steel Corporation goes out of existence and its shareholdings in steel companies are transferred to the Iron and Steel Realisation Agency for "return to private ownership." The Iron and Steel Board, which is to supervise the industry, also takes up its responsibilities on that day. The process of selling the industry back to private owners will then formally begin. In fact, this may at first be confined to negotiations with the former owners of steel

companies that may wish to buy them back; the likelihood of at least one public issue before the holiday season, which appears at one time to have been intended, now seems improbable.

Tinplate prices are normally adjusted quarterly in accordance with the price of tin—the price of a basis box of tinplate alters a penny for each variation of £10 in the average cash price of tin on the London Metal Exchange for the first three of the four preceding months. The fall in tin prices during the spring would in fact have reduced the price of a basis box from 57s. 9d. to 56s. 8d. from the end of June. The Minister of Supply has now raised the controlled price of tinplate by this 1s. 1d. a basis box, so that the price to tinplate consumers will remain unchanged. The grounds given for raising the home price were that this would be justified by increased costs in the industry, pending a study of tinplate prices by the new Steel Board. It has been argued for some time that the home price does not fully cover costs for many works. Until this year, this was offset by the very high export premiums made by works selling tinplate overseas, but with the slump in demand, these windfall profits have now disappeared.

The Government is to introduce legislation to continue the operations of the National Film Finance Corporation for a further three years after August, 1954, when its present term of activity expires. The Corporation, which makes loans to film producers and distributors in order to finance the making of British films, may lend up to £6 million advanced to it by the Treasury. Half of this sum is on loan to one major film producing company, British Lion, which has not as yet repaid any of it; the NFFC is once again discussing with British Lion methods of dealing with this large loan from public funds.

the rise in raw wool, it is at least certain that they have not been distorted completely out of shape—as they were in the years of the boom in wool prices—by illusory windfall profits on stocks. The later profits therefore provide a genuine backing for the dividend and the stock market could without any misgivings mark up the £1 ordinary stock units by 3s. 6d. to 6s. 6d., to offer a yield on the new dividend of 6.6 per cent.

THOMAS DE LA RUE. The preliminary report of Thomas de la Rue (for the year to March 29th) proves conclusively that diversity in a company's activities does not necessarily lead to satisfactory earnings. The company's interests range from the printing of banknotes and security documents and the manufacture of playing cards and fountain pens to the production of a wide range of plastic products and of gas cookers.

In the last financial year, it appears that only from the printing side of its business did Thomas de la Rue make a profit; this profit was completely swamped by the losses made in other operating divisions, and the group as a whole reports a loss of £78,844, compared with a profit of

£659,842 in 1951-52. The provision of £51,835 for British taxation (less a surplus tax provision of £5,000) brings the group's total net loss to £125,679, compared with a net profit of £253,783 the year before. In accounting terms, the loss of £74,844 arose because the group had to charge a series of special provisions against its earnings. These charges included a provision of £50,860 for depreciation (in addition to the normal charge of £225,181); a further sum of £134,932 was provided against the "exceptional depreciation" of stocks, and a sum of £115,283 was set aside for "the depreciation of current stocks."

Shareholders had been prepared for a shock of considerable magnitude by the interim report issued by the directors last November when they decided not to pay an interim ordinary dividend. When they made this report the directors pointed to the collapse of the group's export markets in Australia and New Zealand, following the import restrictions imposed by those countries, to the halving of the production of gas cookers and to short-time working in the company's plastics division.

Very little could have happened before the end of the financial year to brighten this gloomy picture and the decision to pay no final dividend comes as no surprise. How soon, then, can shareholders expect the return of regular 25 per cent dividends on the 5s. ordinary shares, which are now quoted at 6s. 3d.? The prospect clearly depends on a sustained improvement in trade, for the company is decidedly short of liquid resources.

RENOID AND COVENTRY CHAIN. The impressive industrial record of Renold and Coventry Chain—whose part in serving the motor and engineering industries is of great importance—has been tempered by an uninspiring dividend policy. Fortunately,

the preliminary report for the financial year to end-March shows some modest sign of shift from this ultra-conservatism. Admittedly, the equity dividend has in effect been raised only by the merest fraction—from 10½ to 11 per cent, but it has been recommended in the face of a slight decline in net profits from £335,672 to £323,528, the significance of which rests directly on another rise in the provision for taxation—this time from £444,100 to £609,519. The tax collector has obviously gained the most from a year which witnessed an advance in gross profits from £779,772 to £933,047.

As operating and re-equipment costs were probably still rising in 1952-53, this advance in gross profits appears to reflect

Earnings:	Years ending	
	Mar. 30, 1952	Mar. 29, 1953
Profit, before tax	779,772	933,047
Taxation	444,100	609,519
Net profit	335,672	323,528
Ordinary dividends	131,854	144,204
Ordinary dividends (per cent)	12*	11
Re-equipment reserve	186,000	183,000
Added to carry forward ..	25,539	Dr 15,787

£1 ordinary stock at 36s. 3d. x d. yields £6 1s. per cent.

* Interim dividend of 3 per cent paid on £1,131,310 ordinary capital and final dividend of 9 per cent on £2,413,464 ordinary capital after cash issue of 377,105 shares (at 50s. each) and bonus issue of 905,049 shares; the equivalent rate on present capital of £2,413,464 is 10½ per cent.

another definite increase in output and sales by the organisation. The way for such an expansion in the business was prepared by further additions to the company's industrial capacity (financed partly by the rights issue of ordinary shares); and shareholders may well assume from the further appropriations to re-equipment reserves that the end of the programme of expansion is not yet in sight. But one day all these plans will come to fruition; and one day the promise implicit in the latest preliminary report of a bigger reward for shareholders ought also to be fulfilled.

LONDON STOCK EXCHANGE

The London stock market has looked a little brighter this week, though not very much busier, than for some weeks past. Throughout the period to the close on Wednesday industrial equities were firm, but it was not until Tuesday that a rally was staged in the gilt-edged market. On that day and on Wednesday, dealers reported some quite heavy institutional buying, perhaps encouraged by the slightly better political news but also associated with the half-yearly levelling up of accounts. In these two days War Loan rose from 80½ to 81½, Transport stock (1978-88) from 79½ to 80½ and Saving Bonds (1965-75) from 86½ to 86½. The short-dated stocks were also in demand; both the 1955 Exchequer stock and the 1953 Serial Funding stock rose by ½ to 99½ and 99½ respectively. This rally ensured the oversubscription on Thursday morning of the £4 million loan raised by the City of Bristol on a 4 per cent stock (1968-71) at 96½.

A stream of encouraging dividend and profit reports helped to keep the rally in equities alive and in the week to Wednesday's close the *Financial Times* ordinary share index rose steadily from 117.2 to 118.5. A good number of the "bluechips" shared in this advance, but interest in the market tended to focus upon stores shares and textiles. The oil market was slightly more active than the rest of the "House" and prices improved, with Anglo-Iranian making a net gain of ½ to 6½. The market in tea shares was featureless, but rubber shares, after being quietly firm in the last days of the old account, faltered slightly when the new account opened.

In the foreign market both Japanese and German issues lost a little ground on the last days of the old account and then—as usually happens—turned slightly better on the first day of the new account. Most attention in this market on Wednesday and in early dealings on Thursday was concentrated upon the Potash issues, which fluctuated very widely on the news of an offer to settle. Kaffirs turned easier at the end of the old account and then made a few gains on Wednesday.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.*
June 24..	117.2	108.46	4.13	5.87
" 25..	117.5	108.36	4.13	5.85
" 26..	117.8	108.41	4.14	5.84
" 29..	118.1	108.42	4.14	5.82
" 30..	118.3	108.43	4.13	5.81
July 1..	118.5	108.38	4.12	5.94
1953				Total bargains
High ..	125.0	108.76	June 24	5,956
Low ...	113.9	105.86	" 25	5,575
	(Mar. 6)	(June 9)	" 26	5,243
	(May 20)	(Jan. 5)	" 29	6,850
1952				
High ..	121.5	106.66	July 30	6,026
Low ...	103.1	100.67	July 1	6,271
	(Jan. 1)	(Jan. 9)		
	(June 24)	(July 31)		

* July 1, 1925 = 100. † 1928 = 100.

Company Notes

PATONS AND BALDWIN.

The directors of Patons and Baldwins, the knitting wool manufacturers, have this week published perhaps the most pleasing of all the preliminary reports that have come from either side of the Pennines in the last year or so. Among the first of the textile companies to suffer in the recession, Patons and Baldwins has staged one of the most impressive recoveries. In the year to May 2nd, the group earned a net surplus of £1,628,616, compared with a loss of £482,660 in 1951-52; and the directors have been able to restore the ordinary dividend from 10 per cent (to which it was reduced in the previous year) to its earlier level of 20 per cent.

The actual recovery experienced by the company is even more spectacular than these bare figures would suggest, for the net profit of £1,628,616 is struck after charging £1,209,956 for taxation, in direct contrast to the 1951-52 results when the loss of £482,660 was shown after a net refund of £154,799 from tax provisions. Furthermore, this net profit

is shown after a heavier charge for depreciation, which has been increased from £372,287 to £513,305, and after paying a bonus of £110,359—nothing being paid in the previous year—to employees.

Within the net surplus, however, are included several non-recurring credits, comprising £129,729 on the sale of a trade investment, £3,445 as a profit on the redemption of debentures and £476,795 from taxation provisions no longer required. But similar credits appeared in the 1951-52 accounts (including £184,457 arising from property sales, £69,472 as exchange profits and £25,112 from dominion and foreign tax provisions no longer required); in any case, the directors have used the latest special credits to reinforce the contingencies reserve. As well as recommending a full year's dividend of 20 per cent, the directors have appropriated £1 million to this reserve of which £606,434 has come from these non-recurring profits.

Although the latest year's profits may have benefited to some small extent from

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to July 1		BRITISH FUNDS AND GUARANTEED STOCKS		Price, June 24, 1953	Price, July 1, 1953	Net Yield, July 1, 1953 %	Gross Yield, July 1, 1953 %	Prices, 1953 Jan. 1 to July 1	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 24, 1953	Price, July 1, 1953	Yield, July 1, 1953 %
High	Low							High	Low				
99 1/2	99 1/2	War Bonds 2 1/2% '52-54	99 1/2	99 1/2	0 16 10	2 10 10	39/101	32/3	10 c	12 1/2 B.S.A. £1	33/3	33/3	7 10 5
99 1/2	98 1/2	Exchequer 2 1/2% 1955	99 1/2	99 1/2	1 6 8	2 11 10	45/101	36/7 1/2	4 a	8 1/2 Brit. Aluminium £1	37/6	37/6	6 8 9
101 1/2	99 1/2	Exchequer 3% 1960	100 1/2	101	1 11 7	2 19 11	14/3	10/10 1/2	3 a	12 1/2 Cammell Laird 5/-	11/3	11/3	8 5 3/4
99 1/2	99 1/2	Serial Funding 1 1/2% 1955	99 1/2	99 1/2	1 6 9	2 8 3	55/44	45/3	5 a	10 1/2 Guest Keen N'old £1	47/-	47/-	6 6 4
98 1/2	98 1/2	Serial Funding 1 1/2% 1954	98 1/2	98 1/2	1 12 11	2 10 4	84 1/2	84 1/2	52 60 a	8 1/2 Inter. Nickel n.p.v.	87 1/2	87 1/2	6 5 9
100 1/2	100 1/2	Serial Funding 5% 1955	100 1/2	100 1/2	1 4 4	2 12 9	50/3	44/6	2 1/2 a	12 1/2 Vickers £1	48/-	48/-	6 3 1
100 1/2	99 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	1 6 2	2 11 6 1/2	29/6	21/4 1/2	3 a	7 1/2 Bradford Dovers £1	27/-	26/6	7 10 11
100 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 9 7	2 14 8 1/2	25/9	21/4 1/2	11 c	12 1/2 Brit. Celanese 10/-	25/-	25/6	6 5 6 1/2
101 1/2	99 1/2	Nat. Debt 3% '54-58	100 1/2	100 1/2	1 9 5	2 16 1 1/2	48/1 1/2	41/4 1/2	5 a	7 1/2 Coats (J. & P.) £1	42/-	42/6	5 17 8
101 1/2	99 1/2	War Loan 3% '55-59	101 1/2	101 1/2	1 9 10	2 17 8 1/2	42/7 1/2	37/3	5 a	6 1/2 Courtaulds £1	39/-	39/3	5 14 8
96 1/2	95 1/2	Savings Bonds 3% '55-65	95 1/2	95 1/2	2 2 2	3 11 0 1/2	45/6	38/6	10 b	5 a Lancs. Cotton £1	44/-	43/6	6 19 6 1/2
97 1/2	95 1/2	Funding 2 1/2% '56-61	96 1/2	97	1 16 7	3 0 3 1/2	61/10 1/2	49/-	4 a	16 1/2 Patons & Baldwins £1	54/-	60/6	6 12 3
91	86 1/2	Funding 3% '59-69	90 1/2	90 1/2	2 8 5	3 17 7 1/2	81/6	73/-	7 1/2 a	12 1/2 Assoc. Elect. £1	73/9	73/9	5 8 6
93 1/2	87 1/2	Funding 3% '66-68	91 1/2	91 1/2	2 6 5	3 14 8 1/2	29/6	21/4 1/2	11 c	8 1/2 Brit. Insulated £1	36/-	36/-	5 11 1
100 1/2	98 1/2	Funding 4% '60-90	99 1/2	99 1/2	2 9 0	3 18 9 1/2	60/6	54/-	5 a	10 1/2 English Elect. £1	56/-	57/-	5 5 3
90 1/2	85 1/2	Savings Bonds 3% '60-70	89 1/2	89 1/2	2 7 9	3 12 9 1/2	46/-	38/6	15 b	3 1/2 General Elect. £1	40/4 1/2	40/7 1/2	5 10 9 1/2
89	84 1/2	Savings Bonds 2 1/2% '64-67	88 1/2	88 1/2	2 1 6	3 18 5 1/2	19/6	15/6	5 a	6 1/2 Bristol Aero 10/-	16/-	16/-	6 5 0 m
102 1/2	100 1/2	Victory 4% '20-76	101 1/2	102 1/2	2 9 5	3 19 10 1/2	7/2 1/2	5/8 1/2	17 1/2 a	4 a British Motor 5/-	6/3	6/6	8 0 0 m
87 1/2	82 1/2	Savings Bonds 3% '65-75	86 1/2	86 1/2	2 9 5	3 19 10 1/2	23/6	23/6	7 1/2 a	7 1/2 De Havilland £1	24/-	24/9	6 1 3
92 1/2	86 1/2	Consols 4% alt. Feb. '57	89 1/2	89 1/2	2 5 10	4 4 8 1/2	42/10 1/2	36/6	5 1/2 b	6 a Hawker Siddeley £1	40/6	41/6	5 11 1
82 1/2	77 1/2	Conv. 3 1/2% alt. April '61	81 1/2	81 1/2	2 7 3	4 6 4	96/3	78/6	25 c	25 c Leyland Motors £1	77/6	80/-	6 5 0
61 1/2	57 1/2	Treas. 2 1/2% alt. April '75	60 1/2	60 1/2	2 5 10	4 4 8 1/2	29/-	24/-	25 c	2 a Raleigh Ind. £1	26/10 1/2	26/10 1/2	6 4 3 1/2
72 1/2	67 1/2	Treas. 3% alt. April '66	71 1/2	71 1/2	2 6 7	4 5 1 1/2	66/6	58/6	5 a	10 b Rolls Royce £1	60/7 1/2	62/6	4 16 0
92 1/2	87 1/2	Treas. 3 1/2% '77-80	90 1/2	90 1/2	2 7 11	3 19 10 1/2	7/-	5/3 1/2	12 c	12 c Standard Motor 5/-	6/3	6/3	9 12 0
81 1/2	76 1/2	Redemption 5% '86-96	80 1/2	80 1/2	2 7 5	4 6 5 1/2	21/4 1/2	19/-	10 a	10 b Boots Pure Drug 5/-	20/3	20/-	5 0 0
82 1/2	77 1/2	War L'n 3 1/2% alt. Dec. '52	81 1/2	81 1/2	2 5 4	4 2 5 1/2	29/6	16/6 1/2	22 1/2 b	12 1/2 Debenhams 4/-	27/6	28/3	5 1 6
62	58 1/2	Consols 2 1/2%	60 1/2	60 1/2	2 10 0	3 19 11 1/2	97/9	85/7 1/2	5 a	17 1/2 Lyons (J.) "A" £1	91/3	91/3	4 18 8
88 1/2	83 1/2	Br. Elec. 3% '68-75	87 1/2	87 1/2	2 9 2	3 19 5 1/2	56/3	46/3	15 a	35 b Marks & Spenc. "A" 5/-	55/-	55/6	4 10 1
86 1/2	82 1/2	Br. Elec. 3% '74-77	86 1/2	86 1/2	2 5 10	4 4 8 1/2	56/-	44/3	55 c	20 a Woolworth 5/-	55/-	55/-	5 0 0
101 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	100 1/2	101 1/2	2 6 3	4 4 8 1/2	6 a	5 a	5 a	30 b Anglo-Iranian £1	6	6 a	5 14 11
100 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	100 1/2	100 1/2	2 6 3	4 4 8 1/2	49/8 1/2	40/11 1/2	2 1/2 a	12 1/2 Royal Dutch 100 fl.	43/9	43/9	6 17 2
92 1/2	88 1/2	Br. Elec. 3 1/2% '76-79	91 1/2	91 1/2	2 9 11	4 1 1 1/2	86/8 1/2	75/7 1/2	5 1/2 a	10 1/2 Shell Reg. £1	83/9	83/9	6 10 1
82 1/2	76 1/2	Br. Trans. 3% '78-88	80 1/2	80 1/2	2 10 0	3 19 11 1/2	29/1 1/2	23/3	11 1/2 b	5 1/2 a Trinidad L'holds 5/-	23/9	24/-	6 6 4
88 1/2	83 1/2	Br. Trans. 3% '68-75	87 1/2	87 1/2	2 10 0	3 19 11 1/2	44/1 1/2	34/7 1/2	16 c	2 1/2 a Cunard £1	36/-	36/-	8 17 9
99 1/2	95 1/2	Br. Trans. 4% '72-77	97 1/2	97 1/2	2 6 4	4 2 11 1/2	62/3	52/9	6 a	14 b P. & O. Def. £1	57/6	58/-	6 17 11
81 1/2	76 1/2	Br. Gas 3% '90-95	80 1/2	80 1/2	2 8 3	3 19 11 1/2	30/9	24/-	10 c	10 c Royal Mail £1	24/6	24/6	8 3 3 1/2
95 1/2	91 1/2	Br. Gas 3 1/2% '69-71	94 1/2	94 1/2	2 6 2	3 19 7 1/2	34/3	27/6	15 c	15 c Bowater Paper £1	31/3	31/3	9 12 0
92 1/2	87 1/2	Br. Ir. & St. 3 1/2% '79-81	91 1/2	91 1/2	2 7 5	4 1 8 1/2	37/6	34/-	10 1/2 a	6 1/2 Brit. Amer. Tob. 10/-	35/3	35/3	5 11 9

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Not yields are calculated after allowing for tax at 9s. 6d. in £. * Assumed average life 15 years approximately.

Prices, 1952 Jan. 1 to July 1		TRUSTEE STOCKS AND FOREIGN BONDS		Price, June 24, 1953	Price, July 1, 1953	Yield, July 1, 1953 %
High	Low					
88 1/2	81 1/2	Aust. 3 1/2% '65-69	88 1/2	87 1/2	4 13 9 1/2	72
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65	93 1/2	93	4 12 4	52/-
98 1/2	93 1/2	S. Africa 3 1/2% '54-59	96 1/2	96	4 10 9	70/6
68	60 1/2	L.C.C. 3% alt. 1920	69 1/2	69 1/2	4 14 1	68/-
91	84 1/2	Liverpool 5% '54-64	93 1/2	93	4 12 11 1/2	77/6
92	85 1/2	L.P.L.A. 3 1/2% '66-71	91 1/2	91	4 14 7	74/-
103 1/2	97 1/2	Agrie. Mort. 5% '59-89	103 1/2	103	4 15 3	38/9
68 1/2	61 1/2	Austria 4 1/2% '34-59	72	72	4 15 6	49/4 1/2
13	5	Chinese 5% 1913	17	17	Nil	19/3
68 1/2	43 1/2	German 5%	53 1/2	53	...	41/3
86 1/2	45	German 4 1/2%	67 1/2	67 1/2	...	33/3
145 1/2	103	Japan 5% 1907	122	123	...	45/3 1/2

Prices, 1953 Jan. 1 to July 1		ORDINARY STOCKS		Price, June 24, 1953	Price, July 1, 1953	Yield, July 1, 1953 %
High	Low					
64/-	58/1 1/2	6 a	7 a	63/-	63/-	4 8 11
52/10 1/2	46/3	6 a	7 a	52/-	52/-	4 12 4
72/6	64/-	8 a	8 a	70/-	70/6	4 10 9
68/10 1/2	59/3	7 1/2 a	8 1/2 a	68/-	68/-	4 14 1
78/3	70/-	9 a	9 a	77/6	77/6	4 12 11 1/2
75/-	67/6	10 b	10 b	74/-	74/-	4 14 7
38/9	35/6	5 b	5 b	38/9	38/9	5 3 3
46/3	39/-	5 a	5 a	42/-	42/-	4 15 3
39/7 1/2	32/6	4 b	4 b	33/6	33/6	4 15 6
49/-	39/3	7 a	9 a	42/-	42/-	6 13 4 1/2
8 1/2	7 1/2	50 a	85 b	8 1/2	8 1/2	4 1 10
21 1/2	17 1/2	20 1/2 a	40 1/2 b	20 1/2	20 1/2	5 7 8
38 1/2	32 1/2	100 f	105 f	35 1/2	35 1/2	5 9 1
131/6	115/6	33 b	10 a	117/6	117/6	7 6 5
17/7 1/2	15/9 1/2	15 b	7 a	16/6	16/6	5 9 1
31/1 1/2	27/3	10 b	7 a	27/6	27/6	6 3 8
10/-	8 0/2	8 b	4 a	8/6	8/6	7 1 2

New York Closing Prices

	June 24	July 1		June 24	July 1
Balt. & Ohio	24 1/2	25 1/2	Am. Smelting	31 1/2	31 1/2
Can. Pac.	26 1/2	27	Am. Viscose	44	44 1/2
N.Y. Cent.	24	25	Gen. Elec.	72 1/2	72 1/2
Pennsyl.	20 1/2	21 1/2	Chrysler	72 1/2	72 1/2
Amer. Tel.	153	153 1/2	Gen. Elec.	72 1/2	72 1/2
Stand. Gas	17 1/2	18 1/2	Gen. Motor	60	59 1/2
United Corp.	4 1/2	4 1/2	Goodyear	50	50 1/2
W. Union Tel.	43	45 1/2	Inter. Nickel	40 1/2	41 1/2

Statistics

The statistical pages will appear weekly, monthly or quarterly as indicated.

BRITISH		OVERSEAS	
Prices and Wages	(M)	Western Europe : Production and Trade	(M)
Production and Consumption	(M)	British Commonwealth	(M)
Manpower	(M)	Western Europe : Prices and Money Supply	(M)
External Trade	(M)	United States	(M)
Financial Statistics	(W)		
Industrial Profits	(Q)		

Prices and Wages

		Unit	1950	1951	1952	1952			1953			
			mid-June			June 18	June 25	July 2	June 9	June 16	June 23	June 30
WORLD PRICES												
The Commodity Price Indicator :												
All items.....	1952=100		90	126	99	99	99	98	90	89	90	90
Food.....	"		90	114	100	99	100	100	94	93	95	96
Fibres.....	"		101	167	99	98	96	92	88	87	87	86
Metals.....	"		75	99	100	100	100	100	80	80	81	80
Other items.....	"		97	131	96	97	99	97	100	95	96	95
Monthly averages												
19521953												
BRITISH WHOLESALE PRICES												
195019511952MarchAprilMayFebruaryMarchAprilMay												
Old series :												
All articles.....	1938=100		258.7	315.0	323.3	328.3	325.3	323.2	319.0	323.6	328.3	326.1
Food and tobacco.....	"		227.3	253.9	292.0	283.9	288.0	287.3	306.7	308.6	325.2	324.1
Materials used in :												
Non-food manufacturing.....	June 30, 1949=100		138.6	193.3	162.1	169.6	164.7	162.1	150.5	151.0	149.2	148.4
Mechanical engineering.....	"		113.2	134.3	149.9	152.2	152.6	151.7	148.1	147.9	145.9	143.4
Electrical machinery.....	"		122.0	151.9	165.4	165.4	166.3	165.5	161.3	160.4	156.5	151.2
Building and civil engineering.....	"		106.1	125.6	133.6	136.8	137.3	134.9	131.0	131.0	130.7	130.3
House building.....	"		105.2	123.0	130.6	132.9	133.4	131.8	129.0	129.2	129.0	128.8
Commodities :												
Cotton, raw.....	June 30, 1949=100		156.8	223.2	171.9	186.1	179.1	174.3	142.1	138.3	137.2	139.6
Wool, raw.....	"		195.8	252.3	147.9	126.5	125.6	141.6	161.6	168.1	174.8	182.4
Rubber, No. 1 RSS, one month future.....	"		324.6	499.1	282.8	328.7	320.4	262.0	227.0	219.2	201.9	210.8
Softwood, imported.....	"		96.3	143.5	168.2	168.2	168.0	163.3	151.3	151.3	150.1	146.6
Copper, H.C. electrolytic, delivered.....	"		152.2	187.5	220.7	193.2	196.6	196.6	242.6	241.7	233.7	215.2
UK RETAIL PRICES												
Interim index :												
All items.....	June 17, 1947=100		114	125	136	133	135	135	139	140	141	140
Food.....	Jan. 15, 1952=100		...	...	102.6	100.6	102.2	102.2	104.7	105.4	106.4	106.0
	"		...	...	105.4	100.8	103.9	104.4	109.6	110.7	112.5	112.7
All items.....	1938=100		185	202	221	216	220	220	225	227	229	228
Food.....	"		172	191	221	211	218	219	230	232	236	236
Rent and rates.....	"		114	119	122	120	122	122	125	125	130	130
Clothing.....	"		216	249	259	265	265	262	252	253	253	253
Fuel and light.....	"		161	177	197	195	197	193	203	208	209	203
Household durable goods.....	"		245	283	294	297	297	296	290	290	290	283
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).....	1938=100		52	48	44	45	44	44	43	43	42	43
UK TERMS OF TRADE												
Import prices :												
All items.....	1952=100		76	102	100	105	104	103	91	91	90	88
Food, drink and tobacco.....	"		83	96	100	102	102	103	96	97	98	98
Raw materials.....	"		71	110	100	108	106	103	87	86	84	82
Export prices :												
All items.....	"		81	95	100	101	101	101	98	97	97	97
All manufactures.....	"		80	95	100	101	101	101	98	97	97	97
Metals and engineering goods.....	"		80	89	100	98	99	99	101	100	101	100
Textiles and clothing.....	"		84	110	100	109	106	104	92	92	91	91
Terms of trade :												
Ratio of import to export prices.....	"		95	108	100	104	103	102	93	94	93	91
Shipping freights												
(freight rates fixed in sterling).....	1948=100		84.0	173.7	110.6	137.7	109.4	110.9	92.3	96.2	100.9	97.4
WAGES												
requires rates:												
restriction.....	June 30, 1947=100		111	120	130	128	128	129	135	135	135	135
of new plan.....	"		110	119	129	127	127	128	134	134	134	134
main direction.....	"		114	123	133	131	131	132	138	139	139	139
important raw.....	s. d.		128 0	141 1	151 11	...	147 3	...	...	...	...	...
supply. Bo.....	"		150 5	166 0	178 6	...	173 7	...	...	...	...	...
firm, especi.....	"		82 7	90 1	96 4	...	92 2	...	...	...	...	...
of milk—a s.....	Oct., 1938=100		240	265	285	...	277	...	...	...	...	...
few words.....	"		218	241	259	...	252	...	...	...	...	...
	"		254	277	296	...	284	...	...	...	...	...

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	75	100	88	80	67	63
1951	179	118	121	125	218	171	130	144	128	119	112	113
1952	181	114	116	131	231	170	123	147	130	119	110	...
1953												
January	157	110	115	131	229	162	...	150	135	116	110	...
February	...	111	120	131	232	162	...	143	127	131	111	...
March	...	...	124	129	241	...	...	...	142	129	115	...

	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												
January	833	9,953	595	126.64	1,353	349.7	13.95	132.75	745	523	697	111.3
February	1,025	9,018	576	131.09	1,177	325.0	14.18	120.25	574	556	596	107.9
March	1,107	10,782	600	130.99	1,277	411.9	17.00	130.30	740	643	669	112.3
April	1,092	9,975	...	132.87	1,252	...	...	126.30	685	...	...	112.9

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												
January	817	9,556	515	108.81	1,263	208.7	7.64	66.52	708	309	581	90.4
February	812	8,326	453	120.30	1,228	184.2	7.68	70.91	544	279	461	97.6
March	970	9,614	577	120.49	1,474	139.9	10.36	76.13	681	330	555	110.1
April	903	9,225	...	126.55	1,526	...	...	73.40	680	...	...	88.5

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												
January	- 15	- 397	- 80	- 17.83	- 91	- 141.0	- 6.31	- 66.23	- 37	- 215	- 116	- 20.9
February	- 213	- 692	- 123	- 10.79	+ 51	- 140.8	- 6.50	- 49.34	- 29	- 278	- 135	- 10.3
March	- 138	- 1,168	- 23	- 10.50	+ 196	- 272.1	- 6.64	- 54.17	- 59	- 313	- 113	- 2.2
April	- 189	- 750	...	- 6.32	+ 274	...	...	- 52.90	- 5	...	...	- 24.5

VOLUME OF EXTERNAL TRADE⁽³⁾ (1948 = 100)												
IMPORTS												
1938	266	93	113	102	249	...	79	92	118	100	94	1
1951	212	122	153	127	208	...	118	135	150	140	128	1
1952	217	118	148	129	241	...	97	146	132	131	119	2
1953												
January	165	115	...	133	263	...	97	169	159	139	111	1
February	190	102	...	138	226	...	101	150	123	125	...	1
March	232	...	...	156	251	...	121	168	...	...	...	1
April	...	...	...	146	251	...	...	...	...	...	...	1
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	124	...	...
1951	204	149	192	237	622	...	135	163	242	159	...	...
1952	202	137	185	208	670	...	163	140	255	140	...	...
1953												
January	230	135	...	198	626	...	148	128	279	152	...	...
February	217	121	...	222	605	...	150	135	218	142	...	...
March	267	...	...	226	735	...	147	143	...	...	...	...
April	...	...	...	236	766	...	...	...	...	...	...	...

(¹) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude 10% of electricity and manufactured gas; Austria, manufactured gas; and Norway, electricity. (²) Special trade (excluding in yield). with the exception of Ireland which covers general trade: Belgium includes Luxembourg.

EXCHEQUER RETURNS

For the 10 days to June 30th there was an "above-line" deficit (after allowing for Sinking Funds) of £11,729,000, compared with £26,716,000 in the previous week and £8,145,000 in the corresponding period last year, bringing the cumulative deficit to £156,419,000 (£200,965,000 in 1952-53). Net expenditure "below-line" absorbed £21,888,000, raising the total cumulative deficit to £268,655,000 (£345,803,000 in 1952-53).

£'000	Estimate, 1954-55	April 1, 1952 to June 30, 1952	April 1, 1953 to June 30, 1953	Nine days ended June 30, 1952	Ten days ended June 30, 1953
Ord. Revenue					
Income Tax	1782,250	260,317	238,886	22,169	21,665
Sur tax	127,000	21,500	21,100	1,400	1,400
Death Duties	160,000	39,100	45,200	3,700	3,900
Stamps	52,000	12,750	13,400	1,550	1,000
Profits Tax & EPT	214,000	63,700	43,100	4,500	5,600
Excess Profits Levy	99,500	...	9,850	...	600
Special Contribution	1,000	540	330	30	50
Inland Revenue	...	...	...	...	...
Total Inland Rev.	2435,750	397,907	371,866	33,349	34,215
Customs	1044,300	251,033	259,021	18,984	26,300
Excise	680,480	179,812	176,687	26,168	26,897
Total Customs and Excise	1724,780	430,845	435,708	47,152	53,197
Motor Duties	69,000	6,374	7,346	...	...
PD (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	2,700	3,000	800	800
Sundry Loans	25,000	2,824	2,015	667	667
Miscell.	95,000	30,766	25,406	4,888	9,578
Total	4368,215	871,416	845,341	86,856	97,789
Ord. Expenditure					
Debt Interest	615,000	135,837	144,209	...	...
Payments to N. Ireland Exchequer	48,000	8,762	11,172	1,560	3,826
Other Cons. Fund	10,000	1,215	1,117	200	527
Supply Services	3586,286	920,201	838,566	92,616	104,950
Total	4259,286	1066,015	995,283	94,376	109,303
Sinking Funds	...	6,366	6,477	625	215
Above-line Surplus or Deficit (£m.)	200,965	156,419	8,145	11,729	
"Below-line" Net Expenditure	144,838	112,236	12,442	21,888	
Total Surplus or Deficit (£m.)	345,803	268,655	205,87	33,617	
Net Receipts (£mn) from:					
Tax Certificates	13,910	57,465	2,317	10,386	
Savings Certificates	7,900	8,800	600	400	
Defence Bonds	26,981	19,397	1,394	663	

FLOATING DEBT

	Treasury Bills	Ways & Means Advances	Treas. Deposits	Total Floating Debt
Date	Tender	Tap	Public Depts. of Eng. land	by Banks
1953				
January	4,356.6	309.0	2.3	4,647.8
February	4,406.6	303.5	3.8	4,713.9
March	1,585.3	243.7	...	4,709.0
April	1,542.3	247.1	...	4,791.0
May	1,514.8	288.2	...	4,795.0
June	1,478.8	256.6	...	4,745.4
July	1,462.3	238.6	...	4,740.2
August	1,484.2	236.0	...	4,794.6
September	1,467.5	247.1	...	4,796.0
October	1,440.9	255.1	...	4,796.0
November	1,461.9	244.6	0.7	4,837.2
December	1,485.0	239.0	...	4,882.0
January 1954	1,385.0	277.6	...	4,842.6
February	597.8	252.3	5.0	4,855.1

MILK

before on f

Financial Statistics

THE MONEY MARKET

DESPITE the fall of the half-year end in the week covered by Wednesday's Bank return, Lombard Street again enjoyed comfortable conditions. Not only did the market, in contrast to its experience a year ago, avoid borrowings at the Bank on penalty terms, but it did so without the aid of any special purchases by the authorities throughout the week — a rare occurrence indeed. Even on June 30th itself, the heavy "outside" calling was just met by funds from the clearing banks. And on Thursday before the weekend, as well as on Wednesday last, the authorities indulged in considerable reverse selling to mop up the surplus funds.

At last week's Treasury bill tender, the market maintained its bid at £99 8s. 2d. for the £250 million of bills on offer, but total applications dropped by £23 million, and discount houses secured a slightly larger proportion of its tenders—66 per cent, against 63 per cent. Yesterday, £250 million of bills were again on offer and, if fully allotted, will exceed maturities by £20 million, compared with an even balance in the past week.

The Bank return shows an increase in the note circulation by £4.7 million. Government securities held by the banking department rose fractionally; discounts and advances rose by £8.1 million and other securities by £9.1 million. With public accounts up by £6.8 million and other accounts rising by £1.3 million, bankers' deposits rose by £5 million.

London Money Rates

Bank rate (from 24% 11/3/52)	%	Discount rates	%
Bank bills (max) 4*		Bank bills 60 days	3
Banks 2		3 months	3
Discount houses 2		4 months	3 1/2
		6 months	3 1/2
Money Day-to-day 2-2 1/2		Fine trade bills:	
Short periods 2-2 1/2		3 months	4 5/8
Treasury bills 2 months 2 1/2		4 months	4 5/8
3 months 2 1/2		6 months	4 5/8

COMPANY MEETINGS

GUEST, KEEN AND NETTLEFOLDS, LIMITED

INCREASING COMPETITION IN OVERSEAS MARKETS

MR J. H. JOLLY'S WORLD-WIDE SURVEY

The fifty-third annual general meeting of Guest, Keen and Nettlefolds, Limited, was held on June 25th at Birmingham, Mr J. H. Jolly, the chairman, presiding.

The following are extracts from his statement circulated with the report and accounts for the 53 weeks ended January 3, 1953:

Your board consider the results are very good, especially since they are arrived at after a provision for the excess profits levy amounting to well over £1 million.

TAXATION

Without regard to the heavy and increasing charges for local rates, Government direct taxation at home and abroad on the 1952 profits, and representing over 72 per cent of those profits, calls for £7,031,757, cash receivable by stockholders in dividends is £1,284,953.

Naturally, we welcome the decision of Parliament to terminate the excess profits levy at December 31st next. For a long time taxation has been draining away the resources of industry, which at the same time is striving to achieve the highest efficiency. It is to be hoped that we are nearing the end of this period of frustration, but under the Finance Bill we shoulder the burden for yet another year.

That we are able to produce profits comparable to those of the previous year is a tribute to the wholehearted enthusiasm of management, staff and workpeople.

TRADING RESULTS

As you may imagine, the results of the subsidiaries have not been uniformly better than in the previous year, but where they have fallen short there have been special reasons. The home companies in the aggregate achieved an advance on previous figures, but the experience of subsidiaries abroad was more varied and in the aggregate not as good as in 1951.

With the increased investment in buildings, plant and machinery, the amount required for depreciation naturally increases. We have continued our policy of charging against the profits of the period a total provision which has regard to the reduced purchasing power of money and is made on the basis of the current values instead of the book values of the fixed assets. The charge for 1952 is nearly £3 million—an advance on the previous year of over £400,000.

The profits retained in the group are slightly over £2 million for the year. Your board consider this to be the prudent course to adopt, especially at the present time when the country's economy is adjusting itself to a more normal character from several years of an artificially magnified demand in some directions.

TRADING CONDITIONS

In the latter part of 1952, several sections began to feel the effect of customers' decisions to drastically reduce their stocks in trade. This of course lessened the pressure on us for supplies and in a few cases has resulted in a shorter working week in 1953. It is difficult to forecast the length of the period of this general adjustment of supply

and demand throughout the country, but while it is with us it does bring about that reduction of "volume" of production, which in turn affects profit margins.

Our direct export trade is relatively not great, but a very considerable part of the group's output in this country goes into products which are exported by our customers. It is quite clear that nationally we have entered upon a phase of increasing competition in world markets, accentuated by the intention of many countries inside and outside the Commonwealth to make themselves less dependent on imports. Every effort must therefore be made to lower national costs of production from their present level. In particular we suffer from the largely increased costs of the nationalised services.

In our own works, efforts are being made all the time to bring down costs of production, but it is disappointing that achievements in that direction are partially offset by the steady advance in costs beyond the management's control. For example, taking the year 1939 as 100, the price of coal is now 320 and railway freight rates are 229.

MANUFACTURING SUBSIDIARIES IN GREAT BRITAIN

Our numerous manufacturing companies in this country have continued their energetic course. As well as taking care of production, some have been pressing forward with major alterations and expansion. Several of these have been or are on the point of being completed, such as the:

Reorganisation of the rolling mills at Exors, of James Mills, Limited, Bredbury.

Mechanised finishing mill and ancillary breaking-down mill at Sankey's Manor Works, Bilston.

Assembly shop at Sankey's Hadley Castle Works, near Wellington.

Steel drum and lithographing plant at Bristol, in which we are partners with the Rheem Manufacturing Company, of Richmond, California.

These developments and others throughout the organisation are capable of contributing handsome returns in times of full production, but it would be rash to expect them to accrue fully in the next twelve months, when it is so difficult to forecast the trend of trade over that period.

OVERSEAS INTERESTS AUSTRALIA

Lysaght's Works, Proprietary, Limited, has works at Newcastle and at Port Kembla in New South Wales. Notwithstanding many difficulties the company has increased its trading profits compared with 1951. At the Port Kembla works new constructional work is proceeding at the same time as the normal manufacturing side of the business.

Difficulties arose, however, from the severe inflationary spiral in Australia and the severity of the measures taken by the Australian Government to counter that trend. In the earlier part of 1952 our works suffered at times from a shortage of steel or coal or labour, when customers' buying, in anticipation of higher prices, was at a much higher level than works production. For

some time there had been greatly expanded imports of all goods into Australia until the Government, to protect the general economy, found it necessary to impose restrictions. Towards the latter part of the 1952 year supplies of steel from the Australian makers were increased, coinciding with severely reduced demand for the steel sheets produced by our works there and used by manufacturers of automobile bodies, refrigerators, stoves and general domestic appliances. The year 1953 commenced, therefore, as a period when large imported stocks of all classes of goods had to be digested, affecting some but not all of the company's production. Basically and for the long term, we believe that the normal demand in Australia for the company's products remains sound.

Nettlefolds (Proprietary) Limited, Melbourne.—Trading conditions in Australia militated against good trading results of this company, but we are confident that better results will be forthcoming in 1953. Authority has been given for extension of the works' buildings and for installation of additional plant and machinery for an increase in output and the widening of the range of products.

OTHER COUNTRIES

India—Our principal subsidiary company in India is Guest Keen Williams, Limited, with works at Calcutta. Their results were distinctly below those of recent years.

Pakistan—In this Dominion we are represented at Karachi by our subsidiary company, which is a trading but not a manufacturing unit. Sales turnover in 1952 was a considerable advance on the previous year in spite of the difficulties frequently arising from the Pakistan Government's licensing system restricting imports.

Canada—We decided that a good opportunity for the development of Joseph Sankey and Sons, Limited, presented itself by the purchase of a steel furniture and partition manufacturing company at Smith Falls, Ontario. The capital of that company was acquired on December 31, 1952. We look forward to its being an interesting development and providing also a base for the manufacture in Canada of other Sankey products. A review is now being made and in the near future plant will be sent from England to manufacture laminations for the electrical trade, for which product Sankey's name is already well known in the Canadian market.

Our long-established company at Hamilton, Ontario—Lysaght's Canada, Limited—has had a successful year and is developing the manufacture in Canada of some of our engineering products made in this country by Exors of James Mills, Limited, on its subsidiary company at Bredbury.

IRON AND STEEL

At the time of writing this statement, iron and steel trade to private enterprise almost reached the Statute Book. At the time of writing this statement, iron and steel trade to private enterprise almost reached the Statute Book. At the time of writing this statement, iron and steel trade to private enterprise almost reached the Statute Book.

That is still our purpose providing the conditions which are of paramount importance can be satisfied. We believe that under our management the costs of steel production will be less, and its quality for our manufacturing companies will be better than under a nationalised control.

In the near future we expect to be invited to discuss the possibility of the return to our ownership of the iron and steel works referred to. The matter will be decided in the light of the terms offered to us, and the conditions as they affect the iron and steel trade today.

The report and accounts were adopted.

It was announced that Sir John Morison had resigned from the board on his appointment as chairman of The Iron and Steel Holding and Realisation Agency.

The chairman then said:

That, Ladies and Gentlemen, brings us to the end of the formal business of the

meeting. If you will spare a few minutes more, I would like to take the opportunity of making a personal statement.

This is the last occasion on which I shall have the privilege of addressing you as chairman of the company, since, in a few days' time, I shall reach the end of my tenure of that office.

Our company has an unwritten but sensible rule which ensures that the person who succeeds to this important and onerous position shall do so while he is young enough in mind and body to leave his impress on the conduct of affairs and also, which is equally important, that he lays down his office before advancing years takes too severe a toll of his ability to keep up with the daily stress of the problems of a group of this stature.

If I have one regret it is that, through parliamentary delays beyond our authority, the operative date of the return to our own

control of the steel companies we previously owned will fall outside the period of my chairmanship. I regret it, the more because the subject of free enterprise is one in which I fervently believe, and for which my colleagues and I have consistently fought. So, although I shall not be the one actually to hoist the flag, I shall be one of the team, and that is what matters.

May I, on taking leave of you, express my thanks for the grand way in which you as stockholders of the company have supported the board during my term of office. Also, I would like to remind you how much you owe to a very efficient, loyal and hardworking band of officials and workpeople. Their work, about which you hear once a year, is continuing week in week out and has been a major contributing factor to the position which the GKN Group holds today—a position which is thoroughly sound, was never stronger, and of which you can be proud.

UNION MINIERE DU HAUT-KATANGA

STABILITY OF COMPANY'S GENERAL POSITION

AN EXCEPTIONAL YEAR OF PRODUCTION AND RECEIPTS

The annual general meeting of the Union Minière du Haut-Katanga was held in Brussels on June 25th.

Mr Gaston Blaise was in the chair.

The accounts for the year ended December 31, 1952, were adopted.

The profit and loss account showed a gross profit of Fr. 4,770,953,374. After deduction of the provisions for depreciation and for profit taxation, and of sundry charges, there remained a net profit of Fr. 3,091,074,645. By inclusion of Fr. 77,437,865 brought forward from the previous year, the available balance totalled Fr. 3,168,512,510.

From this balance, Fr. 1,154,553,732 were appropriated to the reserve and the special reserve and contingencies funds, and Fr. 45,030,433 were carried forward. The balance left for distribution amounted to Fr. 1,968,928,345.

The meeting approved a dividend of Fr. 1,250 net per share for the year 1952. Taking into account the interim dividend of Fr. 600 net paid in January, 1953, the final dividend is accordingly Fr. 650 net per share.

MR E. SENGIER'S STATEMENT

In his address to the meeting, Mr Sengier, chairman of the Permanent Committee, said:

I can but confirm the statements I made to you at the June, 1952, meeting of our company. The stability of our social structure, confirmed from year to year, and the realistic forecasts which I made previously quantified more than realised.

quantified results which you have before you types it in exceptional year and records of restriction in with:

of new plant, metric tons of copper, as compared with 1951:

important raw supply. Boitic tons of cobalt, as compared with 1951.

of milk—a s, were made at market prices

new words. ed, as I told you in 1951 and average prices upon which one can

MILK der to estimate probable profits

before as resulted in exceptional receipts

which enable us to increase the dividend and to propose to you the distribution of a net amount of 1,552 million francs, after payment of approximately 2,300 million in taxes and duties, of 177 million in royalties to the Comité Spécial du Katanga, whilst carrying more than one milliard to reserves and 800 million to depreciation. We note, on the other hand, in spite of capital expenditure amounting to 1,540 million, an improvement of approximately 800 million in our liquid assets.

We believe it useful again this year to aggregate the receipts of the eight postwar financial years and their utilisation. The receipts of these eight years amount in round figures to 45,000 million francs which have been utilised as follows:

	per cent (approx.)
Production expenses	44
Taxes and royalties	23
Net dividends	13
Capital expenditure	16
Investments and increase in cash at banks	4

For the financial year 1952, the receipts were 10,550 million, the repatriation of which is as follows:

	million
Production expenses	4,200
Taxes and royalties	2,460
Net dividends	1,550
Capital expenditure	1,540
Increase in liquid assets	800

It will interest you to compare three items of the 1952 expenditure which are counterpart to these receipts:

1. The remuneration of work, that is to say the aggregate of the payments to the members of the European and Congolese personnel, amounts to 1,184 million, i.e., 11.20 per cent of the receipts.

2. The remuneration of capital, that is to say the net dividends to shares subscribed in cash, amounts to 1,223 million, i.e., 11.60 per cent of the receipts.

3. Duties, taxes, dividends on shares issued free as remuneration for the concessions, and royalties to the Comité Spécial du Katanga amount to 2,792 million, i.e., 26.50 per cent of the receipts.

PROSPECTS FOR 1953

Concerning prospects for 1953, Mr Sengier said:

The last financial year and the first months of 1953 constitute a troubled period which renders forecasts for the immediate future impossible: the market has successively shown proof of excessive, optimistic and pessimistic feelings, which appear to me to be worthy of a short commentary.

During this period, the laws of commercial freedom have been transgressed: an exceptional American industrial activity, massive demands for armament purposes and the constitution of governmental stocks raised fears of a shortage of metal which gave rise, on the one hand, to the reinforcement of controls and, on the other, to unjustified speculations.

This appearance of under-production led the market prices of copper to exorbitant figures which have encouraged the development of the production of substitutes which, if maintained, could become detrimental to our industry.

This situation encouraged, on the other hand, the future development of new mines, certain of which are financed by the American Government, with guaranteed prices of 24.50 to 28.50 cents—new mines from which the output is estimated at 500,000 tons, being about 20 per cent of the present world production.

Although the purchases for governmental stocks contribute to falsify the picture of the true consumption of copper, which is not necessarily equal to demand, one nevertheless arrives at the conclusion that, for raw materials which the United States cannot produce in sufficient tonnages to meet their consumption, such stocks could usefully serve as regulators to market prices, the purchases being made during the periods of world over-production and the disposal being made during periods when production is deficient.

COPPER PRICES

Here are a few figures enabling you to judge of the confusion of the market.

During the whole of the year 1952 the

American domestic market price, that is to say the market price of copper produced in the United States, remained officially fixed at 24.50 cents.

During these same twelve months the market prices applied to foreign copper varied between 27.50 and 36.50 cents. The *Engineering and Mining Journal* price for export copper, which fluctuated between 27.50 and 34.70 cents, has been falsified by an arbitrary price imposed by the Chilean Government which at the beginning of 1952 was 27.50 cents and was brought to 36.50 cents as from June of the same year.

In February, 1953, following a reduction of control, the American domestic market price settled at 27.50 cents. At this same date, it was enacted that the imposition of 2 cents on imported foreign copper could only be re-established before June 30, 1954, if the average price of a given month fell below 24 cents.

The height of the confusion revealed itself at the beginning of 1953 with five different prices in the United States, varying from 24.50 to 36.50 cents—plus one price in London—the Union Minière having more-over an independent price which varied, during 1952, from 28.30 to 34.30 cents with an average of 31.60 cents, equivalent to Fr. 35.100 per metric ton for the year.

Since May, 1953, thanks to a greater freedom, the confusion has lessened, and the two principal basic market prices, that is to say the American domestic price and the export price (freed at the end of April from the influence of the Chilean arbitrary market price) drew closer to each other at a level of 30 to 31 cents.

We have pleasure in noting that authorised sources, and in particular the *Financial Times* of London, declared that the competent authorities consider the independent market prices adopted by the Union Minière as being the most representative of the world market.

The market prices in force mid-June are:

Domestic market price	29.97
Export market price	29.85
Market price Union Minière for sales in Belgium based on	29.85
equivalent to Fr. 33,750 per ton, c.i.f. Antwerp.	

This recent fall of market prices and their alignment did not surprise us, and we consider them as a step towards a healthier position.

Nevertheless, during these last months, customers in Europe, in the uncertainty of the future market prices which showed a tendency to fall, have lived on stocks and reduced their purchases to immediate requirements.

STRONG DEMAND IN U.S.A

In the United States, on the other hand, the demand influenced by the orders from the Government which absorb 30 per cent of the domestic production estimated at one million metric tons per year, continued to be strong. The demand appreciably exceeds this production, which must be augmented by a tonnage of imported copper which, for 1952, was in the range of 400,000 tons.

In view of all these new factors, we will abstain from making forecasts as to the future of the markets.

As far as we are concerned, the tonnage of copper sold to date, the profit from which will influence the results of 1953, amounts to 98,119 metric tons at an average market price of 32.28 cents per lb, being Fr. 35,582 per metric ton.

Cobalt has acquired a considerable importance for our company. Our production is increasing and its disposal is assured for several years.

NEED FOR STRONG LIQUID RESOURCES

In conclusion of his statement, Mr Sengier declared:

The experience of the large copper producers proves the necessity of considerable liquid assets, indispensable to face the need for working capital for operations, the financing of capital expenditure and the reserves necessary to cover future eventualities, and, in particular, possible sudden fluctuations in the market prices of metals.

With exception to the Le Marinel power project, the financial years 1953 and 1954 will be marked by the completion of our capital expenditure programme, comprising in the first place the hydro-electric equipment of the waterfalls and the installations necessary to the development of our new mining centres.

Our prudent administration has permitted the realisation of this programme without recourse to new capital.

For the years following 1954, and excepting expenditure for the completion of the Le Marinel power station, for which we are making a provision from our present liquid assets, amounts equal to a normal depreciation should be sufficient to cover current expenditure for equipment and improvement of our exploitations.

In short, thanks to large, well-developed reserves of minerals, to a personnel of high quality, to stocks of metals and other products valued at conservative prices—three elements constituting the principal assets of any mining concern—thanks also to our working costs, which compare favourably with those of our competitors, we are convinced that with copper prices resulting from the rules of supply and demand in a free economy, and in the absence of unforeseeable events, we shall be able to continue to present you with very satisfactory balance sheets.

Further to Mr Sengier's address, the report of the board of directors, which has been circulated with the accounts, mentions that all the company's productions showed a further increase in 1952.

The company has always paid attention to the modernisation of its various installations; its construction programme for 1952 included, in particular, the extension of several plants and the increase of available electric power.

In this respect, the erection of the Delcommune power station on the Lualaba River, has been actively prosecuted. A first turbo-alternator group was started up last December. With this power station in production, the Union Minière will be in a position to generate 1,100 million kWh per average year.

The survey work, relating to the Le Marinel power station, a fourth generating plant necessary to cope with Katanga's future requirements, is in progress. The total capacity of this installation will reach 280,000 kVA.

According to estimates, the commissioning of the first group is due in 1957.

A power transmission line to the Rhodesian Copper Belt is projected. Katanga hydro-electric power will thus participate in a few years to the relief of power shortage in the Copper Belt.

Owing to the constant efforts of the Medical Department, the health situation develops favourably amongst the European and Congolese staff.

Union Minière has continued to expand its programme of social work for the Congolese workers and their families. Emphasis has been laid on the extension of the responsibility granted to the Congolese, in accordance with their social progress, and on the improvement of their qualifications by a better technical education.

HAZELL WATSON AND VINEY, LIMITED

STEADY VOLUME OF WORK

The sixty-ninth annual general meeting of Hazell Watson and Viney, Limited, will be held on July 23rd at 52 Long Acre, London, W.C.

The following is an extract from the statement of the chairman, Col O. V. Viney, circulated with the accounts to March 31, 1953:

Our works continued generally to be busy during 1952. In the early months of this year work in connection with the Coronation increased the volume of orders, and we finished the period with the Aylesbury and Watford factories fully occupied. The reduction in the price of paper and increased supplies were an important contributory factor to the result. Paper prices seem to have stabilised for the present, but are still high in comparison with the cost of commodities generally. This steady flow of work throughout the year, coupled with reduced losses on stocks as compared with 1951-52, resulted in a substantial increase in the profit of the group.

The directors have given careful consideration to the dividend, which has been unchanged since 1947. They feel justified in the circumstances in recommending the payment of a bonus this year and propose a final dividend of 7½ per cent making, with the interim of 2½ per cent, 10 per cent for the year (as 1952), and in addition a bonus of 2½ per cent.

Capital expenditure at £220,981 was much less than the previous year's total of £500,243. The commitments of £208,000 (against £227,000) for capital expenditure, and plans for development now under consideration, will more than absorb the present cash reserves. But in these days of high costs any large development plan must be spread over a fairly long period, and the directors hope that it will be possible to finance the various schemes from our own resources.

COSTS AND EFFICIENCY

Our Aylesbury works had a busy year as also did Sun Printers at Watford. At both these plants we enjoyed record sales. The book side of our business continues to expand and demands more and more floor space for the storage of sheets and bound books. Additional space was provided but this problem is always with us. During the year the cost of living index figure increased by nine points, which entailed an advance to male staff of 6s. per week in July and 3s. in January, with proportionate amounts to women.

Our constant aim is to keep costs down, and I am glad to say that we found it unnecessary to pass on the full cost of the increases to our customers. If our industry is to continue to enjoy full employment, costs must be kept under strict control. This can only be achieved by still greater efficiency, improved techniques, and introduction of most up-to-date plant. This has been continued to be our objective. The results of the year were only slightly better than those of the previous year, with the co-operation of the entire staff, the directors express their thanks to all.

The financial year has started well, the pressure of Coronation work has been recession after June 2nd, but so far no signs of it and our prospects for the few months are good. Unless there is a major change in present trade conditions, there seems every indication that we shall experience another satisfactory year.

LONDON & OVERSEAS FREIGHTERS LIMITED

SATISFACTORY RESULTS DUE TO LONG-TERM CHARTERS

INCREASED OPERATIONAL TANKER TONNAGE

HIGH LEVEL OF SHIPBUILDING COSTS

MR BASIL M. MAVROLEON ON SERIOUS CONSEQUENCES OF POSSIBLE FURTHER WAGE INCREASES

The fifth annual general meeting of London & Overseas Freighters Limited was held on July 1st at The Baltic Exchange, St. Mary Axe, London, EC3, Mr. Basil M. Mavroleon (Chairman and Managing Director) presiding.

The Secretary (Mr Stanley Sedgwick, ACA) read the notice convening the meeting and the report of the auditors.

The following is the review by the Chairman which had been circulated with the report and accounts for the year ended March 31, 1953:

EARNINGS

The trading results of the year under review are satisfactory and, in a period of comparative depression in the shipping markets of the world, reflect the steady influence upon revenue of the long-term charters under which your company's tankers are operating. The figure of £942,614 representing the operating surplus closely accords with your board's estimates and is a natural projection of the results reported in the interim statement for the first half of the year.

The following statement shows the make-up of the operating surplus and illustrates the important part played in the company's prosperity by the growing tanker fleet:

Year ended March 31, 1952 Revenue-earning fleet	Operating surplus		Year ended March 31, 1953 Revenue-earning fleet	Operating surplus	
	£	%		£	%
Dry-cargo ships:			Dry-cargo ships:		
2 throughout the year			2 throughout the year	106,785	11.3
5 for an aggregate trading period of 694 days	269,558	50.6	Tankers:		
			4 (aggregating 66,097 d.w.t.) throughout the year		
			1 15,347 d.w.t. 344½ days	835,829	88.7
			1 18,070 d.w.t. 275 days		
			1 15,330 d.w.t. 255½ days		
			1 24,600 d.w.t. 51 days		
Tankers:					
2 (of 16,325 d.w.t. each) throughout the year					
1 (of 18,100 d.w.t.) for a trading period of 34 days	263,370	49.4			
1 (of 15,347 d.w.t. for a trading period of 29 days)					
	532,928	100.0		942,614	100.0

It will be observed that the tanker tonnage in operation at the end of the year under review totalled 139,444; more than double the figure for the previous year. It is anticipated that this figure will be augmented by 18,070 d.w.t. half way through the current financial year and towards the end of the period by a further 24,600 d.w.t.

INCREASED OPERATING COSTS

Operating costs have continued to increase since the year. It is, of course, always difficult to maintain a high standard of restriction on any fleet, but in the case of your new plant it is especially important, in view of the flexibility of the gross earnings, to keep the periods of inactivity for the fleet as low as possible. I am pleased to be able to say that the company's record in this respect has been excellent so far and that the policy of your board in regard to the highest quality and best personnel both afloat and on shore has been maintained.

be ensured only by experience and the effluxion of time.

INTEREST PAYABLE

The only other item in the profit and loss account which calls for comment is the interest on bank advances amounting to £65,730. This sum is a measure of the increased bank borrowing which has been necessary to meet the cost of additions to the fleet. The financing of the company's building programme is referred to later in this review, but I would emphasise at this stage that the bank overdraft has proved itself to be the most flexible and least costly facility available.

TAXATION

No income tax, excess profits levy or profits tax is payable in respect of the profits of the period under review, but the taxation which would have been payable to date had it not been for the incidence of initial allowances in respect of expenditure on building

new ships approximates £800,000. The sum of £300,000 has, therefore, been added to the £500,000 already standing to the credit of taxation equalisation reserve.

DIVIDEND

The board, adhering to the dividend policy declared at the time the company secured a Stock Exchange quotation, recommends the payment of a dividend of 5 per cent (less tax) for the year ended March 31, 1953, and reaffirms its intention to limit the dividend payment to that rate for the current year.

FLEET

During the year under review your company's fleet has been increased by four new tankers, making eight in all. These vessels are very fine examples of the modern shipbuilders' craft and will considerably augment the company's earning power. It is important, however, that you should know something about the cost of these ships. Two of these tankers were ordered at the end of 1947 and the cost was estimated in the building contracts to be £500,000 each. When the vessels were completed, nine months after the contract date of delivery, the cost of the two proved to be over £1,400,000, which figure included some £90,000 in respect of optional extras. The other two tankers delivered during the year were ordered in March and July, 1950, respectively, and cost together nearly £2 million, including extras of £133,000, as against estimates at the time of placing the order totalling £1,640,000. Thus these four ships cost (including extras) a total of £760,000 more than was anticipated when the orders were placed. This represents an extra cost of the order of 28½ per cent over the original estimates and is indicative of the magnitude of the problem involved in financing the uncompleted part of the company's building programme.

Up to the present time eight vessels have been constructed and are in service. These vessels have cost in all £1,200,000 more than the original estimated prices. There are eight more tankers still to be completed, and it is estimated that these will cost in all £1,880,000 more than the contract prices. This situation is one which has been developing for some time and your board has been alive to its possible effect on the company's plans. It is a very disturbing situation and one which is at the present moment worsening. You will be aware of the recent decision of the Confederation of Shipbuilding and Engineering Unions to put forward a claim for a 15 per cent increase in wages for their members. An increase of this order would mean an overall increase of not less than 10 per cent on the present estimated cost of the uncompleted building programme. In terms of hard cash the figure of £1,880,000 mentioned earlier as being an indication of the probable excess of the final cost of eight ships yet to be built over their aggregate contract prices would be increased to the substantial figure of £2,800,000. A very disturbing outlook indeed. Perhaps I might mention in this connection that Japanese shipbuilders have reduced their prices by not less than £21 10s.

per ton deadweight—25 per cent—in the last twelve months.

IMPORTANCE OF CONTINUED MODERNISATION AND EXPANSION

I am not qualified to express an opinion as to the merits or demerits of this claim for a further increase in wages. I do not know enough about it. What I do know, however, is what your board will do or will not do in certain circumstances, and I think it only right that you should know what is in our minds. In the event of our being faced with the certainty of further increased costs of this magnitude, we will without hesitation seek and secure the cancellation of outstanding building contracts. Arising from this there is a point which I am sure you will agree merits the most serious consideration of all concerned. It is the danger of a complacent frame of mind resulting from the frequent references in the press to the full order books which shipbuilders in this country have been enjoying for some time now. A book full of orders for vessels to be built in two, three, four or five years' time is of itself nothing more than an earnest of the intentions of the contracting parties to do certain things under certain conditions. The inability of either party to execute their intentions through the force of circumstances quite beyond their control might involve them in financial forfeits, but it would not build ships. Order books can be emptied overnight. It happened in 1919 and 1920—it could happen again in 1953. It is crystal clear that the implementation of the contracts is what matters—only by the execution of the orders can ships be built and wages paid. The well-being of the shipyard workers, the shipowners—yourselves—the men who look to the sea for their livelihood and everyone remotely concerned with the survival of the United Kingdom as a maritime power depends upon the continued modernisation and expansion of the merchant fleet. It is my considered opinion that any rise in the cost of producing ships will result in the wholesale cancellation of building contracts, to the detriment of all concerned. I venture to hope that wiser counsels will prevail.

MR DAWSON MILLER

It is with regret that my colleagues and I learnt from Mr Dawson Miller that he would not be able to accept re-election to the board, and I take this opportunity of recording our appreciation of the wealth of experience which he has brought to bear upon the company's affairs during the three years which he has served as a director.

PERSONNEL

I am sure that you would not have me conclude my remarks without reference to the contributions made to the company's progress by members of the staff both afloat and ashore. It is encouraging to find that your board's policy directed towards requiring efficient and loyal service in return for adequate remuneration, generous conditions of employment, unsurpassed accommodation and excellent prospects is resulting in men of the highest calibre vying with each other for appointments in our fleet. The staff ashore have shown themselves equal to the tasks thrust upon its members by the increasing activities of the company. For my part, and on your behalf I am sure, I record my appreciation of the efforts made by all concerned.

The report and accounts were adopted and the dividend of 5 per cent on the ordinary shares was approved.

The retiring director, Mr M. E. Kulukundis, was re-elected and the other formal business having been duly transacted, the proceedings terminated.

JOHN THOMPSON, LIMITED

(Steam Power Plant and General Engineers)

INCREASED OUTPUT

£38 MILLION WORK ON HAND

MR EDWARD W. THOMPSON'S REVIEW

The eighteenth ordinary general meeting of John Thompson, Limited, was held on July 1st, at Ettingshall, Wolverhampton.

Mr Edward W. Thompson, MA, chairman and joint managing director, presided.

The following is an extract from the chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1952:

For the year 1952 the combined profit and loss account shows that the gross trading profits of the group were £1,343,729 which is an increase of £91,738 over the corresponding figure for the year 1951.

The same account shows that our net profits for the year 1952 after paying £709,974 for taxation and providing £197,365 for depreciation are £381,158; this compares with £393,880 for the year 1951.

It will be seen, therefore, that while the gross profits increased by over £90,000, or 7 per cent. over those for the previous year, the net profits were reduced by £12,722, a reduction of 3 per cent. The reduction is entirely due to the increase of almost £110,000 in the taxation provision which includes £85,097 for excess profits levy.

The total output invoiced over the whole group for the year 1952 amounted to £12,901,320 compared with £11,001,945 for the year 1951, and £9,460,336 for the year 1950. The value of the output for the year 1952 was more than three-and-a-half times that for the year 1946, indicating not only the development and progress made by your company since the war but also the direct result of the large total of capital expenditure incurred over the same period.

I am pleased to say that all the group trading companies record profits for the past year with the sole exception of the small accessory company purchased three years ago, to which I referred in my previous statements. The output from this company is showing considerable improvement, and it is hoped that the development losses so far incurred will be converted into profits over the next year or two.

Including 1952, the amount put to reserve or otherwise retained in the business over the past 15 years is £2,107,540, 84 per cent more than the amount of £1,146,751 which we shall have paid in dividends for the same period.

The figures for stock and work-in-progress have increased to £4,787,055, which exceeds the corresponding figure for 1951 by no less than £1,384,400. This large sum of nearly £5 million shows the growth in your company's business but it adds to the difficulties of providing increased capital to finance this expansion.

BURDEN OF TAXATION

I think it would be of interest for shareholders and others to realise the burdens and restrictions on industry caused by taxation, particularly on an expanding business such as ours. Results over the past six years show that while output in money values has increased by £8,242,626 and the gross trading profits by £913,184, the net profit left has been practically stationary and, in fact, has declined over the last three years. Against

this position, with our long-term contracts and expanding output, we are inevitably faced with increased stocks and work-in-progress which have increased from £1,053,616 at the end of 1947 to £4,787,055 at the end of 1952, an increase of £3,733,439. Thus our gross trading balances on which our taxation is based are largely tied up in stocks and work-in-progress and may be termed "paper" profits to the company since the cash is not immediately available.

This is the reason why over these years our liquid cash resources have been gradually reduced to the present position where on the consolidated balance-sheet we owe the bank the net sum of £328,430 in spite of the fact that capital issues have provided £479,458 net over this period.

As compared with our profits our dividend policy over this period has of necessity been a very conservative one, and we have had to plough back so much more than we have paid in dividends not only to finance essential capital expenditure but also to provide the increased working capital necessary for our continually expanding output.

I would have stressed the taxation position more strongly but for the small glimmer of hope afforded by the 1953 budget. It is my sincere hope that the government may be able in their next and subsequent budgets still further to reduce the taxation of industry.

The statement then reviewed the activities of the company's subsidiaries at home and overseas and continues:

We have continued to expand our overseas interests by sending out additional representatives and appointing new agents. Your directors continue to visit overseas territories, and such visits are very essential.

You will see from the figures given with the report that work exported continues to grow in spite of the increased competition we are meeting.

WORK ON HAND AND FUTURE PROSPECTS

The orders secured during 1952 have in general been well maintained, and even after the increased output the total work on hand uninvoiced of all the group companies has reached a new record of nearly £38 million. It should be understood, of course, that a large proportion of this is for boiler contracting work, but even so the manufacturing companies of the group have sufficient work to keep them fully employed for some time ahead. For the first three months of 1953 the total output of our home companies shows an average increase of 15 per cent compared with the same period of 1952.

When I consider the rather difficult position that we were in at this time due to the shortage of materials and consequent delays and restrictions in production it is very pleasing to be able to report satisfactory results in the report. The materials position has eased considerably, although there is still difficulty with the heavier plates, but value can be reasonably optimistic that 2% paid year, 1953, will provide equally satisfactory results.

The report and accounts were

CADBURY BROTHERS, LIMITED

AN EVENTFUL YEAR

INDUSTRY ENCOURAGED BY SUGAR DERATIONING PROSPECTS

REVIEW OF HOME AND OVERSEAS ACTIVITIES

MR L. J. CADBURY ON MILK CHOCOLATE PRODUCTION

The fifty-fourth annual general meeting of Cadbury Brothers, Limited, was held on June 29th at Bournville, Birmingham.

Mr L. J. Cadbury, the chairman, in moving the adoption of the report and accounts, said: The accounts you have in your hands are for the twelve months ended December, 1952, but before dealing with the company's affairs in that year I should first like to mention two very important events which have occurred in our industry during the last few months.

I refer, of course, to the abolition of both rationing and price control of chocolate and sweets on February 4th and the statement by the Chancellor of the Exchequer on Budget Day that sufficient sugar would be available later in the year to meet the country's full requirements.

The Minister's decision to abolish the sweet ration was certainly a brave one. At that time the consumption within the 6-oz ration was about 5½ oz per head per week, and no one knew what the demand would be in a free market. Some authorities said it would be 6 oz, some said 7 and even 8 oz. But, while the industry was in favour of taking the risk, it was clear that a substantial addition to the then rate of sugar allocation, which was 54 per cent of the prewar supply, would be necessary to make derationing safe. Subsequent events have shown that this view was correct, and the Chancellor's statement that sugar would also be derationed came as a great relief. In fact, the consumption in the four months that have elapsed since derationing has been not less than 8 oz, and manufacturers have only been able to maintain output at that level by dipping into their stocks of sugar and "unallocated" raw materials.

WAY OPENED FOR UNRESTRICTED ENTERPRISE

It was, therefore, very gratifying last week to have the Minister of Food's statement that we could look forward to sugar being in free supply next September. Otherwise it might have been necessary to modify production programmes to maintain level employment. It is still uncertain what the eventual take-up will be when sugar and—even more importantly—all sugar-using products are free and the consumer at liberty to exercise his choice. It will be a surprise if, over the year, the present level of consumption is maintained.

Derationing and the promise of free sugar have opened the way from control to unrestricted enterprise. It would be wrong, however, to assume that we have passed straight away into fully competitive conditions. The public may be getting in total quantity the chocolate and confectionery it requires, but not entirely in the brands and types it would like. This is partly because restrictions on building and on the erection of new plant limit productive capacity in certain directions and partly because some important raw materials are still in limited supply. Both these handicaps apply to our firm, especially on the supply side in the case of milk—a subject on which I will now say a few words.

MILK CHOCOLATE PRODUCTION

Before the war we were condensing 26 million gallons of fresh fullcream milk at

our factories in the counties of Stafford, Denbigh, Hereford and Gloucester. Our weekly sale of Dairy Milk Chocolate was over 900 tons. These figures show beyond doubt that the public likes to take a lot of its milk in the form of milk chocolate; also that condensing milk and turning it into milk chocolate is an efficient way of conveying milk from the farm to the consumer in a convenient and non-perishable form, with all its natural properties unimpaired. We bought our milk through the Milk Marketing Board; true, a monopoly, but one which worked on commercial lines and appreciated the advantage before the war of selling milk for chocolate at more profitable prices than, say, milk for cheese.

With the war-time creation of the Ministry of Food, that body took the marketing of milk out of the hands of the MMB. This step was inevitable, in view of the war-time set-up of subsidies and priorities. The net result was that by 1945, though our factories were then collecting 21½ million gallons of milk from 2,600 farms, they were condensing only 2 million gallons for milk chocolate. The rest they were delivering to the liquid market or it was being used for other industrial purposes, chiefly the manufacture of cheese. The figures for 1952 show some improvement, with a total intake of 29½ million gallons and 5½ million gallons for milk chocolate.

We have, fortunately, been able to supplement our supplies of fresh fullcream milk from the factory we have built since the war in County Kerry, Ireland. This, nevertheless, still leaves our production short of pre-war figures and of the public's requirements.

We do not suggest that there should be an immediate scrapping of all the M of F milk subsidies and priorities that were created under war conditions. We do urge, however, that disposal of at least "industrial" milk should conform once more to the demands of the consumer. If he is prepared to pay more for his milk in the form of milk chocolate than he is prepared to pay for it in cheese, then his preference should prevail.

In this connection the remarks of the chairman at the recent annual general meeting of the Milk Marketing Board are of interest. Regretting that freedom to sell cream had not achieved higher sales, he said, "this and other better markets for milk in this country cannot be neglected any longer, otherwise a serious loss to our industry will result." Milk chocolate is, of course, one of the "other better markets."

COCOA PRICES

Turning to our main raw material, cocoa beans, you will recollect that after the Ministry of Food gave up buying on behalf of the industry we had an interim period when we operated an industrial panel. That ceased with the 1951-52 season. 1952 was thus the first year since 1939 when raw cocoa buying became the responsibility of the individual firms. When we were given this increased freedom we realised we had to face two contingencies: much greater fluctuation in price, and much more capital tied up in financing stocks. We have experienced both, but have no regrets. Under Ministry control, the price remained at £190 a ton from December, 1948, to June, 1950. It was then

increased to £208. In November, 1950, the Ministry handed over stocks at £275; by the end of the year the price was £300. Since then it has fluctuated violently between £245 in December, 1951, and £340 in March last year, a variation of nearly £100 a ton.

The average price paid for cocoa during the 1951-52 season was £250 a ton, with a Gold Coast crop of 207,000 tons. The final figure for the 1952-53 main crop is expected to be 244,000 tons, and the average price at which we have bought is £240 a ton.

SWOLLEN SHOOT CONTROL

For some years now I have reported the efforts we have made to stimulate an effective attack on swollen shoot, a disease that has devastated many of the cocoa-growing areas. A remarkable change of public opinion in British West Africa has recently taken place for which the Gold Coast Government is largely responsible. Now more farmers are complaining that their farms have not been treated and trees cut out than there were farmers last year said to be threatening violence if anyone dared to suggest cutting out. Recently 600,000 trees a month have been cut out, bringing the total to over 18 million up to date. It is a far cry from the days of frustration we suffered when we first began our campaign and although we rejoice at the progress made there is still much to be done, not only in swollen shoot control but in the control of other crop-wasting diseases also.

Experiments in the use of systemic insecticides are continuing, but the likelihood of this method being adopted on a large scale appears to be somewhat remote. Doubt has been expressed as to its efficacy, its cost if put into full practice would be many millions and it seems not unlikely it may have some undesirable effect on the beans.

HOME AND OVERSEAS SALES

Our sales in the home market showed a decrease in tonnage of 4 per cent. This was caused by a drop in the ration at the beginning of 1952 from 6½ oz to 6 oz, due in turn to a cut in sugar supplies and a reduction in unallocated raw materials.

Export sales showed a decline, but only a slight one, and remained at about 7,200 tons, near the £2½ million mark. Sales to the US Forces in this country, Germany, the Continent, India, ships' stores and our traditional export markets increased, but those to the United States, Canada and NAAFI showed a decline.

Overseas, our companies in Canada, Australia and Eire achieved record sales figures, while those in New Zealand and South Africa showed little change. Considerable extensions of plant and buildings took place in all of them. At home, our chief development is at Moreton, in the Wirral Peninsula, where a new factory is going up to schedule and where we anticipate production will begin about the end of the summer.

PRICE CONTROL AND RISING COSTS

Three weeks ago the accounts of the company and its parent concern were sent out to shareholders. They came in for some attention by various organs of the press and

comment was made that, though our consolidated sales at home and overseas showed an increase at £52 million, our profits had suffered a substantial drop. This was partly caused by a period of unprofitable trading in Canada and losses in some of our export markets. The chief reason, however, was that

we were not allowed to adjust our prices to rising costs in 1952. A review of prices was undertaken in the spring of 1952 by the official Price Control Committee. They agreed on a general upward revision. In the past their agreed recommendations had gone through almost automatically. On this occa-

sion higher authority intervened, and until price control was lifted this year a number of lines whose goodwill we were anxious not to lose had to be sold at unremunerative prices.

The report and accounts were adopted.

THE TUNNEL PORTLAND CEMENT COMPANY

OUTPUT AGAIN A RECORD

EXCEPTIONAL HOME MARKET DEMAND

CONTINUED PROGRESS OF OVERSEAS INTERESTS

MR N. M. JENSEN ON THE NEED FOR INCREASED CAPACITY

The forty-second annual general meeting of The Tunnel Portland Cement Company, Limited, will be held on July 27th, at 105, Piccadilly, London, W.1.

The following is the review by the chairman and managing director, Mr N. M. Jensen, which has been circulated with the report and accounts: Ladies and gentlemen, The pressure of home demand during the past financial year was so great that export deliveries had to be curtailed slightly. Total deliveries, however, have again broken all records.

ACCOUNTS

With somewhat lower profits in the export market and the slightly lower export tonnage the profit on trading before depreciation is £1,669,104, compared with £1,713,714 for the previous year. On the other hand, there is a considerable increase in income from investments, viz. from £182,538 to £435,643. You may remember that last year we were unable to include any dividend from the Helwan Portland Cement Company because, although declared, it had not been remitted to us at the time the accounts were made up. It was subsequently paid and the 1952 dividend was also received before the close of our financial year. We have, therefore, in the accounts now submitted included two years' dividends from the Helwan Company.

Depreciation has increased from £209,506 to £269,047 and we have again transferred out of profit for the year £200,000 to reserve for replacement of fixed assets, bringing this reserve up to £1,200,000.

Taxation, which includes a transfer from income-tax equalisation reserve of £49,000, absorbs £1,065,345, leaving a balance of profit for the year of £570,355. To this has been added the amount carried forward from the previous year of £469,657, making an available balance of £1,040,012.

A total of £32,660 was required for the dividends on the two classes of preference shares, and the interim dividend of 2½ per cent (less income tax) paid on the "A" ordinary shares and "B" ordinary stock absorbed £32,073.

Your directors propose a final dividend of 15 per cent (less income tax) making a total of 17½ per cent (less income tax) for the year. This would absorb £201,602, leaving a balance to be carried forward of £773,677.

In the company's balance sheet you will find a sum of £549,200, representing new additions to property, plant and equipment. The main items are the new kiln at the West Thurrock works, the balance of the cost of the extension of our Pitstone works and additions to our fleet of lorries.

We have used our tax reserve certificates for income tax and profits tax falling due during the year. Since the change in the

bank rate, we have preferred to keep cash not currently required on deposit with our bankers.

PRODUCTION AND DELIVERIES

During 1952, the consumption of cement in the home market and deliveries in the export market for the industry as a whole came very close to the forecast made, and the industry was able to produce the required quantity. Since the beginning of this year, however, the demand in the home market has exceeded the estimate. At the same time the industry has been under pressure to maintain as far as possible the export trade, particularly to the Commonwealth. Although the industry has increased its productive capacity and there is also some reduction in export, the heavy demand has caused a shortage which is now being met by imported cement.

The erection of the new kiln at the West Thurrock works to replace one of the old kilns proceeded according to schedule and it was put into operation in December, 1952. The extension of the grinding plant at the Clydebank works of our subsidiary, The Clyde Portland Cement Company, Limited, is going ahead, but it is not expected to be completed until the end of this year.

I might mention that during the year 1952 the total deliveries of the Tunnel group of companies were about 50 per cent above the deliveries in 1939, while the corresponding figure for the rest of the industry was about 34 per cent. Since the war we have replaced two of the oldest units at our West Thurrock works and, taking our group as a whole, we have increased our annual capacity at home by some 600,000 tons. The total capital expenditure involved is in the region of £5 million.

The capacity of the paper sack factory at West Thurrock, operated by our subsidiary, Essex Sack Company, Limited, has for some time been inadequate to meet the requirements of our various works. We have, therefore, wanted to build a new sack factory near the Padeswood works, but it is only recently that we have been able to obtain the necessary building licence. It is the intention to produce a new type of sack at this factory which will result in a considerable saving of paper.

FUTURE DEMAND

The present exceptional demand in the home market is, to a large extent, accounted for by defence work which one hopes will not have to continue indefinitely. It is difficult to assess, however, how much the need for defence work has displaced normal requirements of cement. There is a great deal of leeway to be made up in many directions. House building is bound to continue for many years and might be increased if suffi-

cient labour becomes available. More road building is long overdue and must be tackled as soon as labour and the necessary raw materials are available. The same applies to many other civil engineering works. Furthermore, concrete is increasingly replacing other materials, either on merits or because such materials are, and are likely to remain, in short supply.

With regard to export, 82 per cent of the country's export of cement is sold within the British Commonwealth and the remainder outside. The Colonies especially look to this country for cement supplies. At the moment Britain cannot send all they need by way of imports and, in view of the considerable developments that are taking place in many parts of the Commonwealth and elsewhere, I feel confident that the volume of export business is likely to remain there for some time. There will, undoubtedly, be a reduction in export prices, but since our costs are lower than those of most other countries, we shall be able to meet competition from Continental manufacturers without any difficulty.

On a long-term basis, the cement industry has always been a growing one, partly due to the increase in population, improvement of living standards and displacement of other materials. If one compares the annual home consumption of cement with that of other countries, the position is that Great Britain, in 1952, used 403 lbs. per capita as against: Austria, 453; Belgium, 682; Denmark, 449; Finland, 418; Eire, 458; Norway, 506; Sweden, 530; Switzerland, 629; Canada, 517; USA, 594. These figures suggest that we have by no means reached our peak consumption. If the growth continues on the same scale as before the war, the industry will find it difficult to meet the demand. Unfortunately, the building of new works is an expensive matter since the capital cost is about three to four times the prewar cost and this, of course, means much heavier depreciation and a larger capital to be remunerated. Your company has done more than its share of expansion since the war, but we are nevertheless investigating the possibility of extending either the Pitstone or the Padeswood works where we have almost unlimited supplies of raw materials available.

OVERSEAS INTERESTS

All the overseas companies in which we hold an interest have done well during the past year.

The extensions of the two works belonging to Cement Limited of Eire are progressing well and should come into production next year.

The Jamaican works of the Caribbean Cement Company have completed a very successful first year.

The Helwan Portland Cement Company of Egypt, in which we have a substan-

interest, have, in spite of the difficult economic conditions in that country, had quite a good year.

The Sudan Portland Cement Company have been working at full capacity and, I am glad to say, made a reasonable profit last year.

In the USA, the National Portland Cement Company have again had a successful year and further arrears of preference dividends have been paid off. When the US excess profits tax is removed or substituted by other taxation, the company should soon be in a position to pay off all arrears. We still hold about three quarters of a million dollars from the redemption of preferred stock of that company and this sum remains temporarily invested in American securities and bonds.

We have not made the progress I had hoped for with the scheme for a cement works in Cyprus. All financial and other arrangements with Wm. Baird and Company, Limited, who will be partners with us in this venture, have been agreed. Several months ago, agreement was also reached in principle with the Cyprus Government which welcomed the scheme, but some of the terms of the licence to the local company have yet to be agreed. I hope, however, the few outstanding points will soon be cleared up.

Last year, I mentioned we had bought the necessary land for a new works in New Zealand, but so far we have not proceeded further with those plans. The moment conditions become more favourable, it is our intention to follow the scheme up again.

In the early part of this year, I paid a visit to Kenya, where the Governor had invited us to look into a project for a new cement works near Nairobi. During my visit it was decided in principle that The East African Portland Cement Company would go ahead with the building of a complete cement works having a capacity of 100,000 tons per annum. The East African Portland Cement Company is financially controlled by your company and The Associated Portland Cement Manufacturers, Limited, jointly. About 40 per cent of the capital is held by local interests. The raw materials are at present being proved, and as soon as this work has been completed and final arrangements made with the Kenya Government, as well as the Masai Council, it is the intention to go ahead with the construction.

TAXATION

I must again refer to the heavy burden of taxation upon your company. In the year under review, some 58 per cent of your company's profits, after providing for normal depreciation, has been paid or reserved for taxation, 14½ per cent paid in dividends to shareholders and 27½ per cent retained in the business (11 per cent by transfer to replacement reserve and 16½ per cent as increase in carry forward). We all welcome the first steps the Chancellor of the Exchequer has taken to lighten the tax burden upon industry. The abolition of the Excess Profits Levy will remove a tax which bears heavily on all enterprises with an expanding business like ours.

DIRECTORATE

Mr R. J. Hillard, CMG, has been co-opted to the board. He has recently left the Sudan Government after many years of service and spent two of the last five years as the Director of the Department of Economics and Trade and three years as general manager of the Sudan Railways. His experience of the Middle East and Africa, where we have such substantial interests, will be of great value to your company.

May I, once more, record our appreciation of the whole-hearted co-operation of the management, staff and operatives in, our various companies.

VENNER LIMITED

MR ARTHUR A. ROWSE ON CONTINUED PROGRESS

The forty-second annual general meeting of Venner Limited was held on June 30th, at the registered office of the company, Beverley Way, Kingston-By-Pass, New Malden, Surrey.

Mr Arthur A. Rowse, CBE, MIMechE, MICE, MIEE (the chairman), who presided, said:

The report has been circulated, and I trust I may take it as read. (Agreed.) It is again gratifying to report that the output in the year under review constituted a new record, being very considerably in excess of that for 1951, which was then the highest recorded in the history of the company. Unfortunately, the benefit which should have accrued to the shareholders and to the inherent stability of the company in the form of reserves, was seriously reduced by the incidence of the excess profits levy, which absorbed no less than £10,050. This would otherwise have been available for dividend or for plant replacement purposes, and your directors would have recommended the allocation of the amount to reserves for this and other purposes to reinforce the productive capacity of the business. It is a clear example of the bad effect of the tax that the allocation to reserve should this year be reduced by so substantial an amount, and it emphasises the wisdom of the change in policy announced in the budget this year.

PROFIT AND DIVIDEND

The profit for the year, after depreciation, amounted to £73,902. Of this, income tax absorbs £32,515, profits tax £8,635, and excess profits levy already referred to, £10,050, a total tax deduction of £51,200, reducing the available balance to £22,702. To this must be added the amount of £14,102 carried forward from last year and the amount of £7,621, being over-provision for tax in previous years. The amount available for distribution is, therefore, £44,425, which your directors recommend should be allocated as under:

To dividend on 8 per cent cumulative preference shares for the year ended September 30, 1952, less income tax	£1,260
To general reserve	£10,000
To a dividend of 15 per cent on the ordinary stock, absorbing, less income tax	£17,820
Leaving to be carried forward	£15,345

BALANCE SHEET FEATURES

Turning to the balance sheet, it will be observed that the figures all show the effect of the increased turnover. Stock and work-in-progress has risen from £314,275 to £371,764. Debtors have gone up from £100,897 to £185,858 but the creditors show a smaller increase from £72,427 to £92,730. There has been a marked increase in the bank overdraft from £3,130 to £136,304. This is due to the need for financing the stocks and debtor increases noted above, which together add up to £142,450. The earned profits would have corrected the situation materially but for the fact that it was necessary to incur expenditure on new buildings amounting to £40,724 and to purchase substantial amounts of new plant. It will be noted that the fixed assets have gone up from £139,980 to £194,030 after providing for depreciation to date. The current assets have risen from £425,818 to £566,663 and now exceed current liabilities of £298,322 by £268,341 or more than the issued share capital. The picture

would be better were it not for the heavy taxation item of £51,200.

NEW BUILDING EXTENSIONS COMPLETED

The factory, both as regards buildings and plant, is in good condition and under continuous view to keep it up to date, although taxation constitutes a real problem and puts a limit on what can be done.

The new building extensions have been completed since the date of the balance sheet. Constructed on the most modern lines, lighted, heated and with power distribution to the best current standards, they constitute a valuable addition to the resources of the company, adaptable as they are to the most varied types of engineering products. They are fully occupied with very high-grade engineering work of a confidential nature.

DEMAND FOR TIME SWITCHES MAINTAINED

The demand for time switches, which led originally to the establishment of your company, has been well maintained and the company continues to be one of the leaders in this field. An extensive tour was undertaken recently by our sales manager to India and Australia with a view to further investigation of new markets and the consolidation of old. The company's products appear to be well received, and Australia in particular, where import restrictions have now been eased, is a substantial market for Venner specialities.

Shareholders may have noticed the new flashing beacons on zebra crossings and will be interested to learn that the major part of the installations throughout the country are being furnished by the company.

PROGRESS IN ACCUMULATOR FIELD

The accumulator has made considerable progress during the year and despite heavy development charges has made a small contribution to the profit. The company has every reason to be proud of its work in what is now seen to be a major technical development destined in this country, as it already does in the USA, to play an important part in specialised applications where weight and space are important.

Recent applications of standard productions embodying the accumulator are to be found on aircraft of British Overseas Airways and British European Airways. Much prototype development work is being done which should in due course extend the field of application considerably.

ELECTRONIC DEVELOPMENT

In the field of electronic development covered by the wholly owned subsidiary, Venner Electronics Limited, good headway has been made. Electronic aids for the whaling industry have been developed successfully, together with transmitting equipment for safety at sea, and experimental work in the field of remote switching by radio frequency is receiving attention. This work, together with the development of the accumulator, takes your company into entirely new markets, and exemplifies the policy of your board to expand the interests of your company into fields other than time switches.

PARKING METERS

During the year your directors formed the view that sooner or later there would arise a

demand for parking meters in this country. The company was able to conclude an agreement with American interests for the exclusive right to manufacture and sell in this country and the world, excluding the American continent, one of the best known and widely used parking meters in the USA, of which several hundred thousand are in satisfactory service. As and when conditions permit in this country and abroad, your company will be well equipped to enter this field, for which their plant is very suitable and for which they have the appropriate distribution facilities.

BUDGET ENCOURAGEMENT

The recent Budget contains much to encourage the company in further development. The relief in income tax, small as it is, is welcome. The reinstatement of initial allowances on new plant is a distinct help to the provision of new plant to keep the factory up-to-date, and enable low cost production to be achieved. So also is the abandonment at the end of this calendar year of the excess profits levy which bore so hardly on your company, related as it was to years when the company was labouring under governmental restrictions imposed in the critical years of electricity shortage. If present trends continue and there is no recurrence of punitive taxation, the future can be viewed with restrained optimism, though any definite forecast in the world conditions obtaining today would obviously be impossible to make and unwise to attempt.

The shareholders will, I am sure, wish to join the directors in conveying to the staff and employees their appreciation of another year of progress, and their thanks to all who have co-operated.

The report and accounts were adopted.

ODIHAMS PRESS

INCREASED CIRCULATIONS

The thirty-third annual general meeting of Odiham Press, Limited, was held on June 30th in London, Mr A. C. Duncan, FCA (Chairman), presiding.

The following are extracts from his circulated statement:

Our net profit of £1,034,130, after taxation, has increased by £97,000. This, I think, may be accepted as a satisfactory result.

In times of inflationary values, such as have been experienced during recent years, replacement costs have not been covered by depreciation allowances on pre-war capital costs. The wisdom of conserving the company's resources will, therefore, be obvious.

The directors recommend an increase of 5 per cent in the final ordinary dividend.

Your directors have decided that the sum of £1,269,000 out of reserves should be capitalised by converting the existing 4s. units into units of 10s. each in order to bring the issued ordinary share capital of the company more into line with the actual capital employed in the business. I think you will agree that the prudent policy pursued during recent years has been justified and that the reorganisation of our ordinary share capital is now timely and appropriate.

The trading results so far this year have been satisfactory, but many problems are likely to arise in the near future, including that of sponsored television, which will increase the competition in the advertising field.

The report and accounts, together with the special resolution relating to the increase of capital and the capitalisation of reserves were carried unanimously.

THE CLAN LINE STEAMERS LIMITED

POLICY OF PREPAREDNESS

LORD ROTHERWICK ON WAGE COSTS

The sixty-third annual general meeting of The Clan Line Steamers Limited was held on July 1st in London.

The Rt Hon Lord Rotherwick (the chairman) in the course of his speech said: I would like to place on record our appreciation of the services rendered by the inhabitants of Borne when our vessel the *Clan Macquarie* went ashore on the Isle of Lewis, not only for the able assistance they gave in the actual rescue operations, but also for their generous treatment of the captain and crew when they were landed. I am sure you would like me also to express your gratitude to and admiration for the coastguard crew from Stornoway who transported the life-saving equipment eighteen miles across open moorland in sleet and snow lashed by a wind which was recorded as having reached 112 miles per hour. It was found impossible to rig the breeches-buoy during the hours of darkness, but once contact was made the entire crew of sixty-six men were taken off in two hours forty minutes. This record will be hard to beat.

NEW DELIVERIES DELAY

The delivery dates of some of our new ships have been put back by as much as twelve months from the original estimate, due almost entirely to the shortage of steel plates. We are told in the House of Commons that steel allocations to shipyards have been increased by 5 per cent, but unfortunately no mention is made of the fact that deliveries, which after all are what really matter, are anything from 25 per cent to 40 per cent short of the allocation. Not only do we lose the benefit of these ships, but in a period of rising costs the delay adds considerably to the price we have to pay.

TAXATION

I am deeply concerned about the long-term replacement position, for so long as shipbuilding costs continue to rise the excess cost of replacement has to be found out of taxed income. Although initial allowances are a useful immediate contribution, they are no more than an interest-free temporary loan and furthermore, as we have seen, they lack permanency. For this reason I welcome any reduction in taxation, and the present Budget is a step in the right direction.

DIVIDEND AND FUTURE PROSPECTS

This year the proposed dividend has been increased to an equivalent of 20 p. cent on capital of £1,200,000 costing net 30,500. I must make it quite clear to you, however, that future dividends will depend entirely on the profits earned and, if you remember that large sums for replacement have to be provided out of taxed income, you will appreciate that, although your directors hope to maintain the 20 per cent rate, it is not by any means certain that they will be able to do so. In connection with replacement I must add that the question of new construction is under constant consideration and it may well be necessary to modify our plans, particularly if prices continue to rise.

I should like you to know something of the difficulties which we have to face during a period of falling commodity prices. In theory it should enable us to import more material, but this will only happen if the producing countries have a surplus or if they increase production at the risk in some cases

of depleting their natural resources. In practice I very much doubt if this will happen, as we are meeting increased competition from the other exporting countries, particularly Germany and Japan, and as their exports increase so they will be able to obtain a greater share of the available raw material. We do not obtain more materials the producing countries will have less sterling available for the purchase of our manufactured goods and, unless the cost of such goods falls, they must buy less. It is obvious there will be some fall in cost as the lower priced raw materials are used in production, but that is only one element of cost, the other is wages. The natural tendency would be for wage rates to fall as the purchasing power of money increases, but there is no indication of such a trend and, therefore, unless we can obtain an increase in the amount of work for each pound of wages paid there will be a reduction in the volume of our exports and a decline in the amount of shipping space required.

From my remarks it could be inferred that I view with disfavour falling commodity prices. Nothing could be further from the truth. What I fear is that this desirable movement may be unjustified and that we may be forced once again to devalue sterling, thereby increasing commodity prices and restart the inflationary spiral with wage increases always tending to lag behind the increase in the cost of living. Surely it is better to increase our production by giving incentives and abandoning restrictive practices. If we have any surplus labour we can use it so easily to improve our standard of living by creating better conditions in the home, factory and workshop.

High taxation is crippling incentive. I think there is good reason to give an individual more than an equal share if through his efforts he develops a product or an idea which makes a contribution towards the wealth of his country.

My company has always been receptive to new ideas, and I propose during the current year to intensify the work on research. As the members of our own staffs afloat and ashore may well be able to contribute useful ideas, I hope to be able to introduce a scheme whereby some financial reward will be given to the originator of a new idea capable of commercial exploitation and particularly if it can be exploited abroad.

We can improve our trading position materially by promoting greater freedom of trade within the Commonwealth and Empire, and I feel that every effort must be made to obtain the assistance of our partners. At the present time America is dependent on Canada for supplies of certain raw materials. As a result, in trade negotiations, Canada has been able to insist that America should accept partly fabricated goods instead of the simple raw materials. In these circumstances it appears to me that we might, through the agency of our Canadian friends, encourage the Americans to accept more of our manufactured goods. If this result could be achieved I should hope that any additional dollars earned would be used for investment in Canada, for we are lagging far behind in supplying capital for the further development of resources in a country with such potential opportunities.

COMPANY WELL EQUIPPED

I am very sure that I must end with a note of qualified optimism. As mentioned in the d

tors' report, we experienced a slackening in the demand for space during the latter part of the financial year, with a consequent reduction in the rate of profit earned. There are gloomy prophecies of what will happen if the world settles down to a period of peace. Although I appreciate the position, I am not prepared to accept this view, for slumps are created in the main by a sufficient number of people believing that there will be a slump. I prefer to adopt a policy of preparedness; ready to conserve if the need should arise, but always on the look-out for an opportunity to advance. In a world where all could use more goods, it will surely be a terrible condemnation of our economic system if we cannot maintain a high level of employment. If we create the right goods at the right price there will be a demand for our products, and I am satisfied that this company is well equipped to maintain its position, although we must not forget the dangers of subsidised foreign competition.

The report and accounts were adopted.

At the extraordinary general meeting the board's capitalisation and bonus issue proposals were approved.

HIELD BROTHERS LIMITED

COMPANY'S SILVER JUBILEE

SPECIAL BONUS TO SHAREHOLDERS AND EMPLOYEES

The thirty-first annual general meeting of Hield Brothers Limited, was held at Briggella Mills, Bradford, on June 30th, Mr David H. Hield (the chairman) presiding.

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

I have pleasure in submitting the accounts of the company for the year ended March 31, 1953, showing a net profit of £126,242 after making full provision for taxation of £218,376.

In spite of adverse conditions our Canadian branch made a profit last year, but I regret to say that trading conditions for any Canadian producing unit remain difficult owing to the devalued £ and low Canadian import duties. I am happy to report that our English mills have run full time throughout the year. We have had the advantage of a rising market for wool from our stocktaking basis at March 31, 1952, when wool touched a very low point. Our policy continues to be to give the best competitive value we can to our customers, and today we have an order book which is as great in volume as it was a year ago.

SURVEY OF PROGRESS

This year we completed 25 years as a public company, and it is interesting to survey the progress made. Our shareholders have provided in all £577,000, including premium on share capital. Today our balance sheet shows net liquid assets of £952,882, apart from the value of fixed assets represented by six fully equipped mills. During this period we have paid out £503,498 (gross) to our preferred shareholders and £795,350 (gross) to our ordinary shareholders. During the same period the Inland Revenue has claimed from us £1,590,120.

The reserves which figure in our accounts are fully employed in the financing of the business. I am hoping the time will come when it will be convenient to capitalise some of these reserves, but for the moment we do not feel such action would be expedient, as values have again risen sharply this year, we may still need to call upon these reserves to meet the consequences of any fall.

ANALYSIS OF EACH £1 OF SALES

In considering the figures which I have put before you, some of which will seem big as compared with our nominal issued capital, I want to emphasise that they should be related to turnover. The margins in this trade can be very narrow at times. For instance, in the financial year to March 31, 1952, we find that each £ of sales represented:

	s.	d.
Materials	12	9
Wages, salaries and pensions	3	2
Services, supplies and expenses	2	1
Outside commission	9	
Depreciation	2	
	18	11
Taxation	8	
Net dividend	3	
Surplus retained in business	2	
	£1	0 0

We feel that twenty-five years of successful progress deserves to be recognised in a practical way to both operative and shareholder, and as it coincides with a profitable year's results the directors have distributed a special bonus based on length of service to every employee of the company, the total amount of which is approximately £25,000, and now recommend a special bonus to ordinary shareholders this year of 25 per cent over and above the dividend of 25 per cent.

Everyone in this business works hard, and we shall continue to do our best in the future to improve on the record of achievement of the last 25 years which I have so briefly set before you.

The report was adopted.

WORTHINGTON-SIMPSON, LIMITED

The sixty-second annual general meeting of Worthington-Simpson, Limited, was held on July 2nd in London, Mr John Southern (managing director), presiding in the absence through indisposition of Sir Samuel R. Beale, KBE (the chairman).

The following is an extract from the chairman's circulated statement for 1952:

I am very pleased to submit to you again a most satisfactory report and statement of accounts in respect of the year under review. The progress of the company has continued and the output for the year 1952 was again higher than that for the previous year. The trading profit at £691,715 shows an increase on the 1951 figure of £97,761, and a net profit on the year of £239,603 is shown against £217,363 for 1951.

In spite of the heavy rate of taxation, including £63,500 for excess profits levy, the account now shows an improved financial position over the previous year.

Our order book at April 30, 1953, is still at a high level and slightly higher than the corresponding period a year ago. Our heavy engineering side is assured of a steady load for the next two or three years. Incoming business for our smaller trade lines of pumps was eased in recent months, largely due to import restrictions abroad. The home demands have kept up reasonably well.

The commitments for capital expenditure amounting to £68,283 are about the same as last year, largely because we have not yet received delivery of the machine tools on order at that time.

It is proposed to distribute a share bonus of one new 10s. ordinary share for every 11 ordinary shares held.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

ANNUAL GENERAL MEETING

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

Sir Frederick Godber, the chairman, in the course of his speech, said: Viscount Weir of Eastwood is by his own desire retiring from the board of your company, of which he has been a director since January, 1939. I am glad to have this opportunity of expressing the gratitude of my colleagues and myself for the help and advice which he has so readily made available to us and which his long experience in many industrial spheres has made so valuable during both the late war and the difficult years which followed it.

SIR ANDREW AGNEW

It is with pleasure that I record that Sir Andrew Agnew this year completes fifty years of service with your company and its associates. He started handling Shell affairs in Singapore in 1903. In 1922 he was appointed a director of your company and since 1935 has been a managing director. The honour of Knighthood was conferred upon him in 1938. During World War II he was chairman of the Petroleum Board which handled the problem of maintaining petroleum supplies. We all hope that Sir Andrew will continue to give your company the benefit of his long and varied experience for many years to come.

You will be glad to hear that the Hon Peter Samuel, who has been a director of your company since 1937, has recently been elected to the boards of the Shell and Anglo-Saxon Petroleum Companies, in which capacity his wide knowledge of banking and finance will become more closely available to the affairs of our group. Major Samuel served in the Middle East during the war and was awarded the Military Cross for gallantry in action at the Battle of Alamein. He comes from a family with a tradition of service to your company. You will remember that his grandfather, the first Viscount, was not only its founder but was for many years its chairman, whilst his father, the second Viscount Bearsted, was also chairman for many years.

SIR FRANCIS HOPWOOD

There is one other matter that has occurred since the publication of my statement and that is the honour of Knighthood conferred upon one of our managing directors, the Hon Francis Hopwood. I am sure you will desire to add your congratulations to those of the board. It is undoubtedly a well-deserved reward for his leadership with the other managing directors of the group and, as in the case of those of us who have been similarly honoured, we may perhaps also look upon it as a recognition of our group's contribution to the national effort. That it comes in Coronation year is all the more pleasing.

On the proposition of the chairman, seconded by Sir Andrew Agnew, CBE, the report and accounts were unanimously adopted: the retiring directors, the Hon Peter Samuel, MC, TD, the Hon Randal H. Vivian Smith and Sir Kenneth B. Harper, were re-elected and the remuneration of the auditors, Messrs Turquand, Youngs and Company, was fixed.

The Rt Hon Viscount Knollys, KCMG, proposed a vote of thanks to the chairman, directors and staff.

Mr A. E. D. Anderson seconded the vote and it was unanimously accorded, a brief acknowledgment by the chairman concluding the proceedings.

GODFREY PHILLIPS, LIMITED

SALES MAINTAINED

The forty-fourth annual general meeting of Godfrey Phillips, Limited, was held on June 26th in London.

Mr P. A. Godfrey Phillips (chairman and managing director), in the course of his speech, said:

The profit after deducting taxation shown as attributable to the group is £430,844, as against £650,361. Last year I referred to the various difficulties that we should have to face with increased cost of raw materials and wages both here and overseas and with drastic governmental restrictions on our import trade into Australia.

LOWER PROFIT MARGINS

As I forecast, margins of profits have dropped both at home and overseas and fresh markets which have been found to replace other markets where our sales have become restricted have not shown equally good returns. It is some consolation, however, that although we have not been able to maintain the profit shown on our world-wide trading, we were able in 1952, taking all our factories together, to manufacture and sell almost the identical volume of tobacco goods. After the transfer to "capital reserve" of approximately £120,000 and the payment of preference dividends, including £14,767 arrears payable on the "B" preference, and if confirmed by this meeting a totalled ordinary dividend of 15 per cent for the year, the carry forward will be increased from £1,961,000 to £2,025,000.

It is never easy to forecast trading results where we manufacture and sell under so many varying conditions. The cost of our raw leaf shows no tendency to fall and in most of the markets continues to rise. As competition becomes more intense both at home and abroad so increased expense becomes necessary in the presentation and advertising of our products. Although the restrictions on imports into Australia have been slightly relaxed, we shall only be able to import into that market 30 per cent of the cigarettes shipped there in the fiscal year 1950-51; this not only seriously affects our manufacturing profits in England, but also, by reducing the quantity of goods available for distribution in Australia by our Australian company, increases the overhead factor in their cost of distributing their own manufactures.

PROSPECTS FOR 1953

There has been a tendency throughout the world for money to become tighter, and the first to suffer are those who specialise in high-class quality lines. Your group, through its subsidiaries, has always enjoyed a relatively large share of this semi-luxury trade, and it is inevitably suffering as a consequence. In all these circumstances it is, I fear, too much to hope that we shall be able in 1953 to maintain our profits even at the reduced 1952 rate; should these fears be well founded, then the board will have to consider carefully whether they can recommend the maintenance of the ordinary dividend at the present rate.

Your board's policy in extending its activities by the formation of manufacturing companies throughout the Empire has been fully justified and all its overseas companies are happily thriving. I would particularly like to congratulate the Indian board on the great progress they made last year. I am glad to be able to report that the excellent relations that have always existed between the managements and employees in all our factories are still maintained and I should like to send to all our people both at home and overseas the

thanks of this meeting for their continued loyal support.

The report was adopted.

GEORGE WIMPEY & CO., LIMITED

HUGE HOME PROGRAMME EXECUTED

The thirty-fourth annual general meeting of George Wimpey & Co., Limited, was held on July 1st in London.

Sir Godfrey Mitchell (the chairman) presided and, in the course of his speech, said:

Aided by particularly good contracting weather, your company has, once again, made a considerable advance in the volume of work carried out during 1952. Throughout the United Kingdom a huge programme of building, civil and mechanical engineering work of every description has been successfully carried out, while our overseas activities have made a contribution very substantially in excess of any previous year.

Perhaps the major development in our ever-expanding overseas interests was the commencement of the new 5-million ton oil refinery and oil port at Aden for the Anglo-Iranian Oil Company. We are joint contractors for this huge project, estimated to cost about 50 million pounds, with our American friends, Middle East Bechtel Corporation.

After reviewing in detail the progress of the company's other world-wide interests, the statement continues:

At home we have once again been in the forefront of the Housing Programme, having handed over some 10,000 dwellings during the year.

The extension of our "No-Fines" concrete technique to the construction of multi-storey flats has been most successful, and has aroused considerable interest.

We have been very busy throughout the year on our contracts for the oil companies. At Grangemouth, building and civil engineering work continued, and at the Isle of Grain an immense amount of fabrication and installation of refinery plant and equipment has been carried out.

A considerable volume of building, civil and mechanical engineering has been executed at the great new chemical works at Ellesmere Port.

We have maintained our excellent progress in the construction of the Tunnels at Meig and Luichart for the North of Scotland Hydro-Electric Board. Although there was a scarcity of civil engineering projects of magnitude we have, nevertheless, carried out a wide diversity of contracts which, although individually not of great size, have amounted in the aggregate to a substantial proportion of our turnover.

The profits have risen from £540,000 in 1951 to £1,800,000 in 1952. It may be of interest to mention that our net profit before tax of £1,800,000 represents 3.8 per cent on the value of £47 million of work carried out.

It is proposed to pay a dividend of 7½ per cent on our ordinary shares and to issue to ordinary shareholders 50,000 5 per cent redeemable second cumulative preference shares of £1 each as a bonus, on the basis of one preference share for every twenty ordinary shares held.

Looking to the future, we have made a good start on a programme of work which promises to exceed all previous records, and although in this industry it is dangerous to prophesy, I am confident that we may look forward to a year of continued progress.

The report was adopted.

THE ECONOMIST, JULY 4, 1953

GREEN, HEARN & COMPANY

The fifteenth annual general meeting of Green, Hearn & Company, Limited, was held on June 30th in London, Mr Michael Marks (one of the joint managing directors) presiding.

The following are extracts from his circulated statement:

Your company's splendid record in showing a substantial annual increase in sales over the past years was not maintained during the year in consequence of the retarding factors to which your attention was drawn last year. In the circumstances you will doubtless agree that our earnings, which for 1952 amounted to £92,100, bear a satisfactory comparison with those of 1951, at £113,147.

Our current trading results show a comparative increase in turnover and in earnings and it is hoped that, subject only to any recurrence of world-wide trading difficulties, your directors next year will be able to report a resumption of the continued expansion which has been indicated in successive preceding years.

The high reputation for quality and value which Lyndale Coats and Suits have attained ensures that any general rise in public consumption will be accompanied by an increased demand for the company's products.

The report was adopted and a total distribution of 32½ per cent approved.

At a subsequent extraordinary general meeting the board's capitalisation proposals and bonus issue of one new 2s. ordinary share for each three ordinary shares held was approved.

HIGHAMS, LIMITED

TURNOVER FULLY MAINTAINED

The forty-fifth ordinary general meeting of Highams, Limited, was held on July 1st in London, Mr Eli Higham (the chairman) presiding.

The following is an extract from his circulated statement:

It has been a difficult year for textiles generally, almost amounting to a minor slump in the summer of 1952. In spite of this it is most gratifying to have been able to show an increased profit.

The year's result justifies to a large extent the confidence which I expressed last year, a confidence which was based on two main facts, one, that we are a vertical combine, producing household necessities as opposed to luxuries, and secondly, that they did not, in the main, attract purchase tax.

Your board recommend a final dividend of 12½ per cent and a bonus of 5 per cent, thus equalling last year's distribution of 27½ per cent.

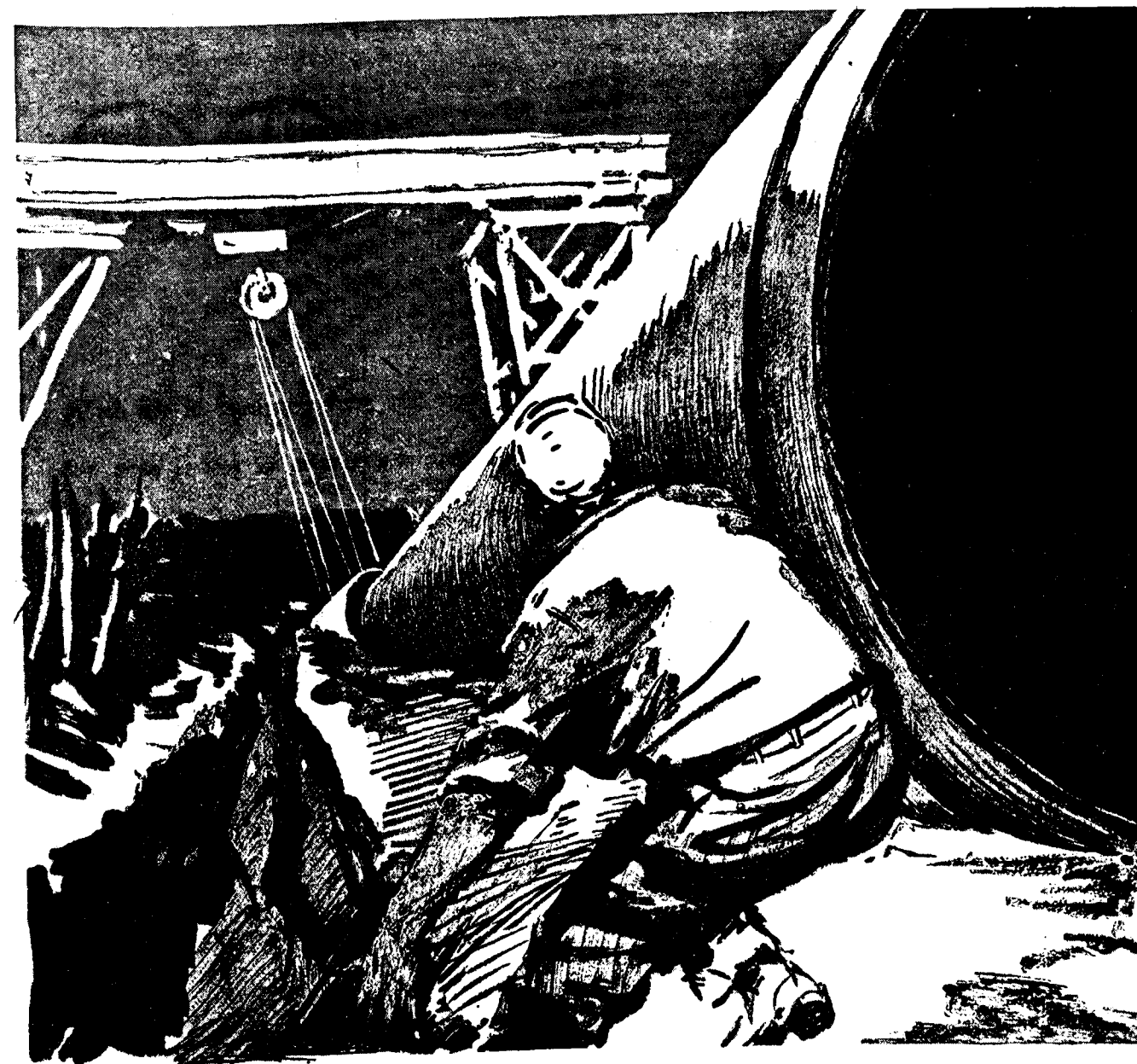
The finances of your company are in a healthy state, turnover has been fully maintained and the stock is at the minimum level required for normal trading.

Developments of a far-reaching character have been planned during the year under review, the cost of which will amount to almost £150,000.

I see no reason why I should not be reasonably optimistic about the year in front of us, but one must always bear in mind the effect which a fall in value of raw materials can have on the trading profit; there is no doubt that the tendency of values is in a downward direction.

The report was adopted.

THE ECONOMIST, JULY 11, 1953



WATER - ESSENTIAL FOR CIVILIZATION From the very beginning of civilization, the well-being of all peoples has depended upon the availability of clean, fresh water. Today adequate quantities of drinkable water are of increasing importance for domestic, industrial and agricultural activities. As this basic condition cannot always be met on the spot, the necessity often arises to build water plants at a distance from towns and villages for the provision of a piped supply.

Here again, the unique features of the Mannesmann Steel Tube have opened up new opportunities. That is why extended piping systems made up of Mannesmann steel tubes are being operated in so many areas throughout the world.

Mannesmann design, manufacture and install:

Long-Distance Water Transmission Lines, made up of

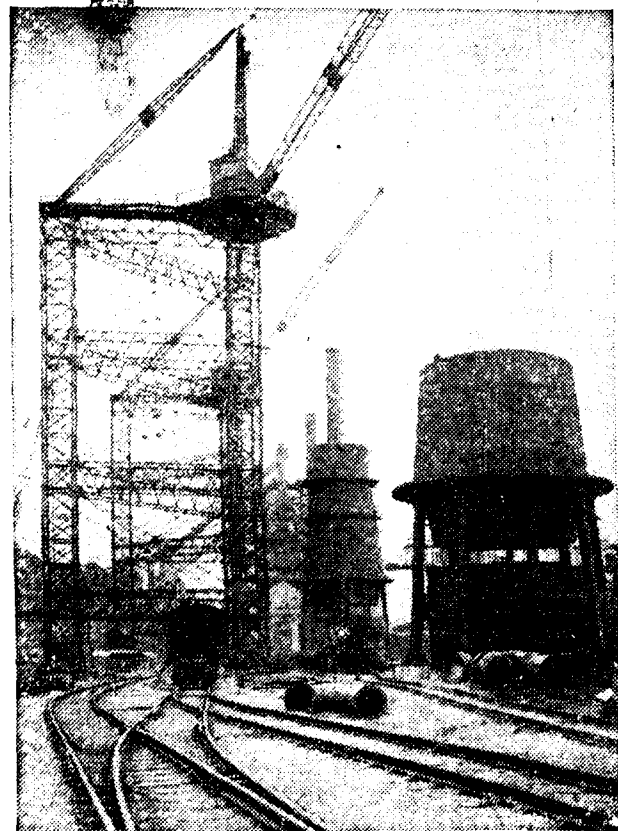
Seamless or Welded Steel Spigot & Faucet Tubes

Service Connections and Plumbing Systems

Hydraulic Pipes and Penstocks, made up of Seamless or Welded Steel Tubes



MANNESMANN-EXPORT GMBH DUSSELDORF



**DESIGNERS
MANUFACTURERS
AND ENGINEERS TO
THE IRON AND STEEL,
GAS, CHEMICAL,
PETROLEUM AND OILS
AND FATS INDUSTRIES**

THE POWER-GAS CORPORATION LIMITED
AND
ASHMORE, BENSON, PEASE & COMPANY
STOCKTON-ON-TEES
AUSTRALIA CANADA FRANCE INDIA AND LONDON SOUTH AFRICA



With over fifty years experience in the design, manufacture and erection of process plant and equipment these two companies have expanded their business in every continent.

The Power-Gas Corporation Limited have recently completed the construction of the largest fertiliser factory in India and one of the numerous gas plant installations on hand is an extension to the largest gas works in the world.

Amongst their other activities Ashmore, Benson, Pease & Company have been entrusted with the design and manufacture of twenty blast furnaces in the last ten years, including one at present in the design stage which will be the world's largest.

They are represented by subsidiary companies in Australia, South Africa, Canada and France.

Sir—your after shave perfection



PRESENT a vigorous complexion to a world that judges on face values. Use Imperial Leather After Shave Lotion and enjoy feeling clean shaved

as you have never enjoyed it before. Large 3/2, Junior 1/10. From all good shops.

Imperial Leather toilet luxuries also include Shaving Sticks, After Shave Talc, solid and liquid Brilliantines and the famous Imperial Leather toilet soap.

**Cussons IMPERIAL LEATHER
Toilet Luxuries**

**THE BANK THAT CONDUCTS THE
LARGEST BANKING BUSINESS
IN NEW ZEALAND**

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

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).

**What is
Quantuplication?**

A problem always confronting national advertisers is . . . *which combination of the leading national daily newspapers will carry my advertising to the largest possible market at the most economic cost.*

The DAILY HERALD now presents advertisers with a guide to media planning—QUANTUPLICATION—a series of tables based on recent surveys which show for 20 commodity groups the total market reached by any combination of the leading national dailies, and what it costs to reach that market.

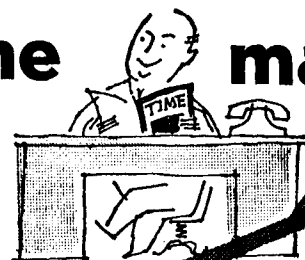
Quantuplication is something new in advertising economics. The name has been coined to describe the overlap involved at all stages when five daily newspapers are considered—up to and including quintuplication.

If you are in any way concerned with advertising in the national press, Quantuplication must interest you. A copy will be sent on application to:

B. H. HULL,
ADVERTISEMENT DIRECTOR
DAILY HERALD
ACRE HOUSE, LONDON, W.C.2

*

Sell the man at the top!



Wherever he is
he can open the
door to your
company or
products

Reach him
in over 100 countries
through **TIME** International

THE people who can open and develop markets for your company or products abroad can be reached more certainly and consistently through **TIME INTERNATIONAL** than any other international publication. **TIME INTERNATIONAL** is published in English in four separate editions. These are read every week by more than 1,700,000 important people in over 100 countries outside the U.S.A. Ninety-two in every hundred **TIME INTERNATIONAL** subscribers hold influential positions in business, government and the professions. These people, whose opinions and decisions shape the trading policies of industry, commerce and government, are the people who mean business in the world. An advertisement campaign in **TIME INTERNATIONAL** Editions will give them good reasons for talking business with you.

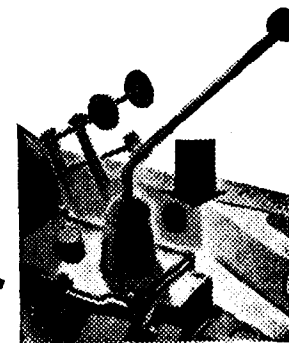
You can buy advertising space in all four editions—**TIME Atlantic**, **TIME Canadian**, **TIME Pacific** and **TIME Latin American**—or only in the editions that cover the areas in which you are most interested. Full details from: The Advertisement Director, Time International, Time & Life Building, New Bond Street, London, W1.



Here...

there...

and everywhere...



BURY FELT is at work!

Bury Felt is a remarkably versatile material. It can be hard enough to be diecut, chiselled or machined for industrial purposes—or soft enough to be made into ladies slippers. In the fashion salons for handbags, belts and accessories: in the engineering shop for gaskets, filters, buffing rollers and shock absorbers: in Britain's key industries as well as in Britain's loveliest homes—Bury Felts are hard at work.

Can Felt help you? Send your enquiries to
BURY FELT MANUFACTURING COMPANY LIMITED
HUDCAR MILLS, BURY, LANC.
London Office: 3 Snow Hill, London EC1 Cen. 4448

In the design and manufacture of
POWER PLANT AUXILIARIES,
for LAND and MARINE USE,
and of COMMERCIAL and INDUSTRIAL
REFRIGERATION

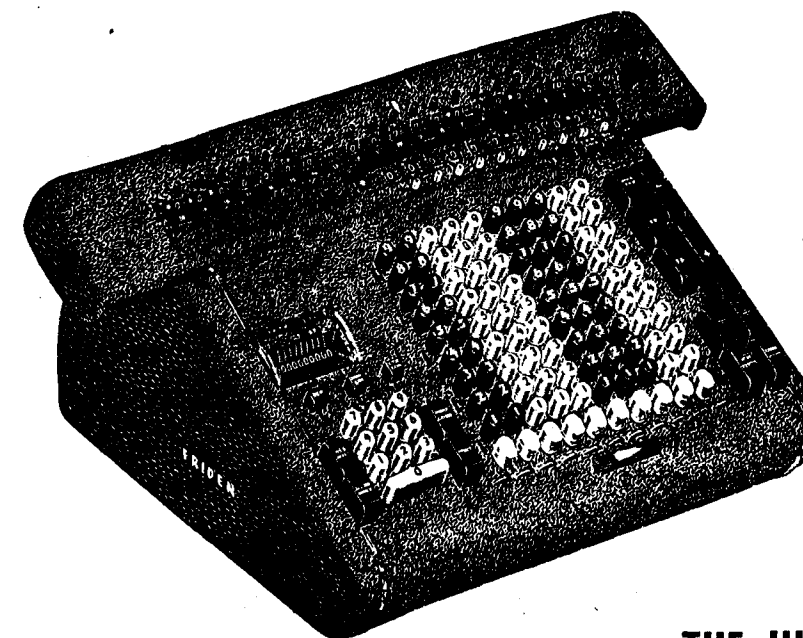
the name **WEIR**

has a world eminence created by
constant quality and integrity

Most of the major developments in modern power station and marine engine room practice have been made possible by the efficiency and reliability of Weir Boiler Feed auxiliaries in operating at the high pressures and temperatures in general use.



The Weir Organisation:
G. & J. WEIR LTD. • DRYSDALE & CO. LTD. • WEIR HOUSING CORPORATION LTD. • THE ARGUS FOUNDRY LTD. • ZWICKY LTD. • WEIR VALVES LTD.



Now
FRIDEN
can figure
in your calculations

POINTS WORTH NOTING—

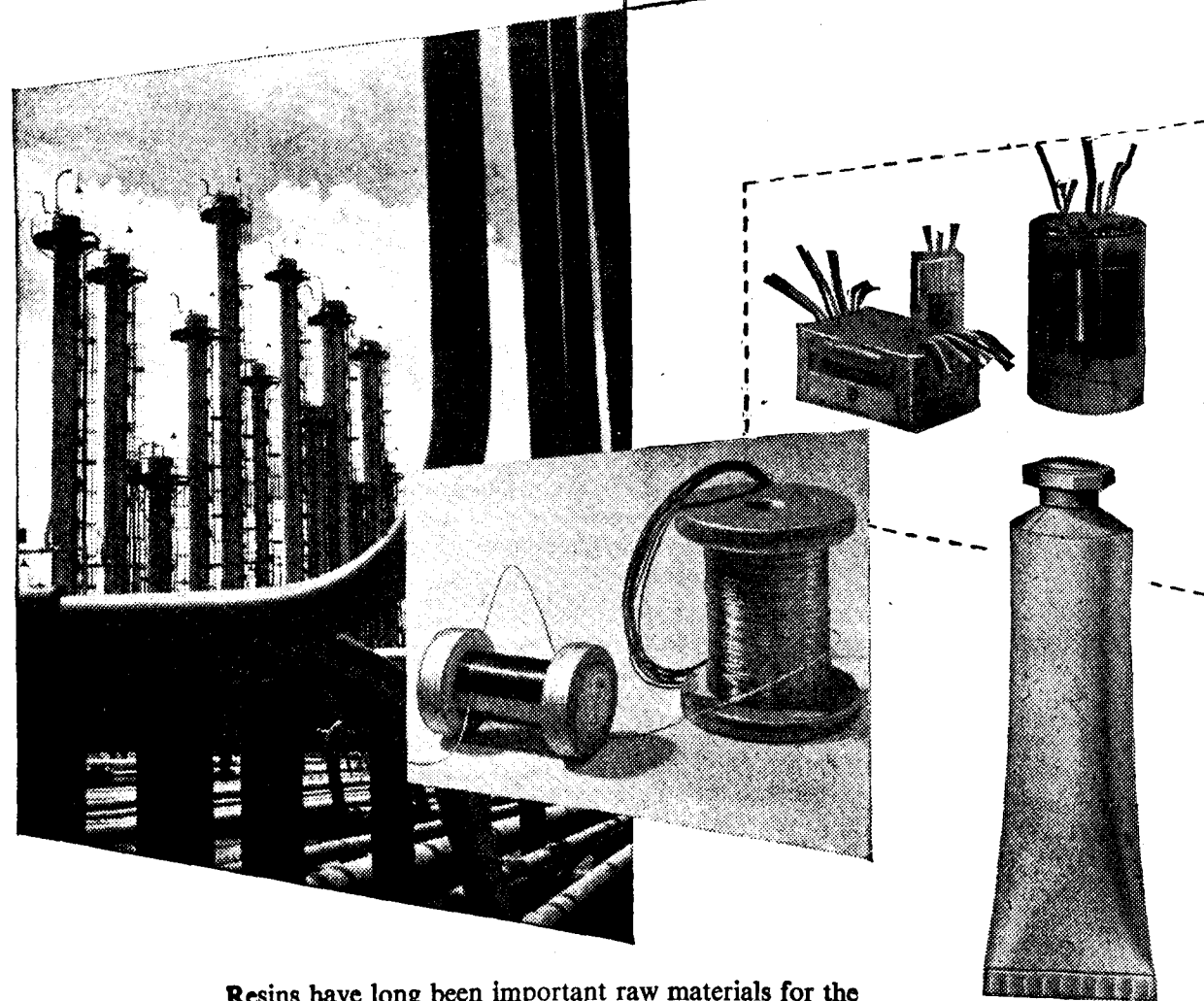
Individual Products • Automatic Decimal Point in Quotient • Accumulated Products • Automatic Division Alignment • Constant Multipliers • Automatic Divisor.

THE ULTRAMATIC FRIDEN CALCULATOR is really essential for work in which a good many intricate calculations have to be made quickly, easily and with absolute accuracy.

Supplies are still limited so it is advisable to write or telephone straightaway for full details and free demonstration.

BULMERS (Calculators) LIMITED • 7 & 8 POULTRY, LONDON, E.C.2 • Telephone: CENTRAL 3611

Landmark in resin development



Resins have long been important raw materials for the manufacture of paints, lacquers and other surface coatings. Originally, only natural gums and resins extracted from trees were available. Then the first synthetic resins were discovered, bringing not only the advantage of increased and steady supply, but many qualitative advantages also. Now comes a further important advance in synthetic resin development—Epikote Resins, the reward for years of research by Shell in this field. Epikote Resins make possible the production of coatings which combine toughness, flexibility and adhesion to give finishes hard-wearing to a degree never before achieved. Their use can confer an extended working life and prolonged good appearance on a vast range of industrial and domestic equipment.



Epikote Resins from Shell Chemicals

SHELL CHEMICALS LIMITED, NORMAN HOUSE, 105-109, STRAND, LONDON, W.C.2
(DISTRIBUTORS)

The Economist

FOUNDED 1843

JULY 11, 1953

ONE SHILLING

The Riddle of Prosperity	79
Behind the Curtain	81
The Pains of Irish Protectionism	83

NOTES OF THE WEEK

The Labour Leadership; Television Befogged; Flames Flicker in Soviet Germany; Towards a French Commonwealth?; Changes in Hungary; Rewards of Representation; Feather-bed or Safety Net?; The Long-term Unemployed; Trojan Horses in Italy; Lysenko Dethroned; Slow Train to Peking; Mr Nehru on Africa; Scientists Nipped in the Bud; Committee on the Old; Perón's Deal with Moscow. 84

LETTERS TO THE EDITOR	93
BOOKS AND PUBLICATIONS	95

AMERICAN SURVEY

Going Slow on Taft-Hartley	99
Knowland Reverts to Type; Neither Aid—; Nor Trade?; Choking Off Surpluses; The Debt's the Question; Good Government in New York; Anti-Trust Up to Date; Willow Doesn't Run; Shorter Notes.	

THE WORLD OVERSEAS

The East German Revolt	106
France and Its Empire; Burma's Rice Surplus; "Solutions" in South Africa; The Danish Bases; Satellite Soccer.	

THE BUSINESS WORLD

Commodities Since Korea	115
France Finds Wings	117
Towards Safer Railways	120

BUSINESS NOTES

Soft Pedal on Funding; Harmonising with Reflation; Taking Stock of Television; How Many Stations?; Australia Eases Import Controls; British Investment in Canada; Coal Prices and Wages; Bank Interim Raised; German Debts Unsettled; Mr Snip the Tailor; Vision and the Box-office; More Capital for English Electric; Caution from Courtaulds; Capital Issues Contrasts; What Productivity Costs; Protection for "Free" Sugar; Shorter Notes. 121

COMPANY NOTES AND SECURITY PRICES	131
STATISTICS	134

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

The Riddle of Prosperity

WITH the general blessing of both the major parties, the Government has introduced a Bill which will enable the Monopolies Commission to undertake several investigations concurrently and to pursue them with more expedition. It is not, however, proposed significantly to extend the scope of the Commission or to sharpen its teeth. This Bill, and the circumstances of its introduction, accurately reflect the present state of public opinion in this country. Everybody agrees that monopolistic restriction can go too far and that it is a proper subject for investigation. That is something gained since the thirties. What is more, it is accepted both by the managerial community, whose opinions so strongly influence those of the Conservative Party, and by the trade unions, whose opinions dominate those of the Labour Party. That also is something gained.

But it would be a great mistake to overrate the extent of the change in opinion. It would be a wild exaggeration to say that the merits of real competition are yet recognised in any but a few corners of the managerial community or anywhere at all in the trade unions. On the contrary, competition is still a dirty word in these islands, never to be allowed out in public without some guardian epithet to proclaim its disgrace, such as "cut-throat," "harmful," "wasteful" or "destructive." When industrialists talk of "monopoly" and agree to its investigation, and conceivably even to its condemnation, they do not mean anything that enters into the normal practices of British industry, but only something abnormal and exceptional, which can safely be deprecated without in any way disturbing their own established procedures. When trade unionists speak of monopoly they mean only something that wicked capitalists do; they are not prepared to admit (and their refusal is enshrined in the terms of reference of the Monopolies Commission) that it is even imaginable for monopolistic restrictions to exist in the trade union world or in publicly owned corporations.

The prevention of monopoly, in short, has become in the last few years something to which it is good form to pay verbal tribute. One might even go so far as to hack off one or two of monopoly's outlying tentacles. But no impression whatever has been made on the great body of restrictionism in this country. Nor could any such attempt be made, for public opinion would not support it. Monopoly is becoming something that everybody talks about, and nobody does anything effective about.

Much the same can be said, though perhaps a little less sweepingly, about the subject of economic efficiency in general. Under the device of "productivity," there has been a very widespread recognition throughout the country since the war that, if Britain is not to starve in idleness, there must be a great and rapid increase in general economic efficiency. A great deal of most praiseworthy effort has been put into the examination of the subject. The labours of the Anglo-American Productivity Council and its successor have, in

particular, been monumental. Much has been said and much written. Some things have also been done: productivity, at least in some British industries, and so far as it can be measured statistically, has been rising more rapidly since the war than before. And yet it is difficult to believe that the fundamentals have been tackled. Ordinary observation does not suggest that the gap in general economic efficiency between Britain and America has been significantly closed in these years; on the contrary, it seems to be widening. German industry, after lying prostrate for several years, is now moving forward at a speed which finds little reflection here. There are several other countries which, with much less conscious attention to the subject, have yet achieved more.

It begins to look as if we have been dealing with the surface symptoms of poor productivity and that the real causes lie deeper. For a few years after the war, it was possible to ascribe a great deal to the lingering effects of the disorganisation and the exhaustion of the war itself. But that excuse serves no longer. For a time, it was believed that productivity could be increased by exhortation. It had a little effect, but only here and there, and for short periods. Exhortation will work only when it can act as a lever on a firm fulcrum of faith; and in this country, it appears, faith in the merits—one might say in the morality—of economic achievement is dim. Then there was the phase of believing that the trick could be done by more and newer and better machinery. There is something in that too. But as an immediate stimulant to British productivity it suffers from two defects. There is a shortage of savings to pay for the machines. And machines will do little without the will to use them. In the last eighteen months, monetary discipline has been tried, and its effects have been considerable. But no one would claim that monetary policy can change the basic shape and spirit of a nation's economy.

Slowly, therefore, the conviction has been growing that the essential element has been missing. That element is the human will. Unless the ordinary man or woman sees the virtue, or at least the necessity, of producing more, more will not be produced. Even the Communists, who are taught to regard human beings as machines, are beginning to learn this truth. Certainly in a free society, it is basic. And perhaps no set of people more badly need recalling to it than the professional economists. For many years now, the fashionable economics has been almost wholly mechanistic. The phenomena of economic life have been explained by formulae as rigid and as generalised as those of the natural sciences. Men have constructed machines to show how human society works, and "models" to show how it ought to be made to work. And since everything is believed to be mechanical, it follows that everything can be controlled and predicted.

But this has all really been a great mistake. The human being stupidly and stubbornly persists in being human. His consumption function is variable; his propensity to save is subject to the most whimsical

variations. The difference between progress and stagnation does not turn on matters that can be regulated by a planner's decrees; it lies deeper in mass psychology. And if an explanation is sought for the fact that the progress made in improving productivity in Britain since the war has been, not perhaps poor in absolute terms, but so inadequate in relation to the acknowledged need, then it is to be found not so much in economic policies or party programmes but in the everyday attitude of the people as they go about their business. It is not the economist or the politician so much as the sociologist, the psychologist—and perhaps the moralist—who can find the answer. The real question to ask is not why we do not produce more but why we do not want to produce more.

★

Two recently published books, both of which were reviewed in *The Economist* at the time of publication, serve to illustrate this thesis. The first* is the book that Mr Graham Hutton wrote at the request of the British Productivity Council, to sum up the general lessons that can be drawn from the reports of the three score productivity teams which crossed the Atlantic to prospect for the secret of American prosperity. After all has been said that can be said on the direct constituents of American productivity, on the quality of management, on the use of machinery and the organisation of production, on standardisation, on labour relations, it is apparent that only a small part of the answer has been given. The real secret of American productivity is that American society is imbued through and through with the desirability, the rightness, the morality of production. Men serve God in America, in all seriousness and sincerity, through striving for economic efficiency. But in Britain, if any moral feeling at all survives about economic matters, it is usually a vague suspicion that economic success is reprehensible and unworthy. From this difference in attitudes everything else follows.

The second book is of a very different character.† It is an attempt by Professor Walt Rostow of the Massachusetts Institute of Technology to classify some of the psychological elements that underlie economic behaviour. What, he asks, are the basic determinants of the pace at which an economy grows? And he suggests that the answer is to be found in variations, as between one country and another, or between one time and another, in six fundamental functions:

1. The propensity to develop fundamental science (physical and social).
2. The propensity to apply science to economic ends.
3. The propensity to accept innovations.
4. The propensity to desire material advance.
5. The propensity to consume rather than to save.
6. The propensity to have children.

* "We Too Can Prosper." By Graham Hutton. Published by Allen & Unwin. 12s. Reviewed in *The Economist* of May 23, 1953.

† "The Process of Economic Growth." By W. W. Rostow. Published in England by the Oxford University Press. 25s. Reviewed in *The Economist* of May 16, 1953.

Others will no doubt quarrel with this list and prefer one of their own. But Professor Rostow is to be congratulated on a pioneer attempt to take the searchlight of analysis down into the unexplored foundations of economic behaviour. If this is not an exact list of the basic determinants, then it is an illuminating first approximation. It enables one to propound an answer to the question of why one nation prospers and another stagnates. The proximate answer is that a nation will make rapid economic advance so long as all six, or at least four or five, of these propensities are in a conjuncture favourable to productivity. In the United States today, for example, all six are in the right posture. In Britain, of only one, the first, can the same be said with any confidence. Our pure science is good. But we do not apply it; we prefer stability to change; we prefer leisure to wealth; we do not save; and we barely reproduce ourselves. To analyse the matter in this way is not, of course, to arrive at the final answer. It must still be asked why these attitudes prevail, and why they are so different at different times and in different places.

Behind the Curtain

THE recent dramatic events in Eastern Germany must not be allowed to overshadow the remarkable and puzzling news that has been coming from the neighbouring Communist regimes. In Czechoslovakia resistance as staunch—and in Pilsen as bloody—as that of the Berliners, successful protests by trade unions against the party and extensive absenteeism. In Hungary passive resistance by the peasants, discontent in the industrial towns, followed by a drastic reshuffle of the government. In Poland a simmering resentment of the government. In about which few trustworthy details are to be had. In Rumania and Bulgaria rumours—but so far nothing but rumours—of similar events in the making. This picture is in some ways more significant than that presented by the Soviet Zone of Germany, for in these countries well behind the iron curtain there is less organised contact with the West, escape is more difficult, resistance looks more hopeless. Moreover, in Eastern Germany the Russians have a special motive for conniving at, if not approving, the humble apologies of Grotewohl for past errors and the tardy amends now being made to the poor, the oppressed and the over-worked. So long as there is even a possibility of free elections having to be conceded as part of their wider Germany strategy, they must get the East German population out of a mood that would produce too crushing a defeat for those political elements that have co-operated with them.

What are the important features of this unrest among the satellites? Why has it broken to the surface just at this time? What could be the effect in the Soviet Union itself of the knowledge that the end of the Stalin era

But the analysis does serve to direct the inquiries in specific directions. And it also serves to underline the fact that the answers, when they are reached, are more likely to be found in mass psychology than in logic or in physics. It is, in literal truth, faith that moves mountains, even when it employs bulldozers. It is, in essence, this truth that is applied to the problems of economic development in the book by Professor Nurkse reviewed on page 95 of this issue.

How does a nation set about changing its own frame of mind? That it needs to be done will not be denied by anybody who realises what the economic hazards of the future mean for a people situated as we are. That it can be done will hardly be denied by anybody who reflects upon the enormous change in precisely these attitudes that has occurred in the last two generations or so, much of it the direct result of deliberate teaching. How shall we set about restoring some belief in the rightness of effort, the morality of success? How shall we make the British people determined to be prosperous?

has stirred into action the peasants and workers of other Communist states? It will need time to be sure of the answers to these questions and to assess what Moscow's policy in its European empire now is, or is likely to become. But some answers have to be sought now, because the questions force themselves into any consultations between the western allies about their future dealings with the new men in the Kremlin.

Two or three things only are clear beyond dispute. The first is that the causes of trouble are primarily economic. This is not a rising of the dispossessed middle classes and dissident political elements against Communist tyranny; nor is there any evidence that western propaganda and subversive activity have brought about organised and carefully timed coups. The evidence is of spontaneous refusal by workers and peasants to tolerate any longer the conditions of their daily work and living. Ruthless and doctrinaire handling of the villages has cut down food supplies to the towns with their increasing populations. Bewildered peasants have no confidence either in the local regimes or in their currencies; they neither work nor plan for the future. In the factories the raising of production norms, the constant pressure to fulfil impossible plans, and the interference by the party have caused intense resentment; at home the complaint has been against high prices, lack of food and the absence from the shops of consumer goods worth working hard to buy.

Secondly, the sequence of cause and effect over the last five years is clear enough. Communist insistence on industrialisation in the towns and collectivisation in the villages has brought about a reckless kind of

planning. Production and investment policies in each satellite country have been fitted into a general pattern designed to serve the five-year plans of the Soviet Union. The emphasis has been on the growth of heavy industry which will simultaneously create a politically conscious urban proletariat and increase the war potential of the Soviet bloc. The neglect of consumer goods, combined with exaggerated investment programmes and the resistance of the peasants, have caused an inflation beyond the power of the governments to control. Workers able to eat and buy less and less were being urged to work more and more.

★

That this state of affairs was being created has been pointed out more than once in these columns; and the admissions and exhortations of the Communist planners themselves have fully confirmed the diagnosis. It can, indeed, be said that the workers' discontent was causing anxiety in Berlin, Prague, Budapest, Warsaw and Moscow before Stalin's death. Since that event it has come to a head; the Communists everywhere find themselves faced with the deeply disturbing fact that the proletariat is rebelling against the dictatorship of the proletariat. To say, as *Pravda* and General Dibrova in Berlin have said, that western agents and propaganda are responsible for the crisis in Communist affairs is merely to make one factor, and certainly not a major one, into the main cause. When the elder statesmen of European Communism publicly admit that they have been too ruthless, that they have industrialised too fast, and that officials have tyrannised individual citizens—then it is clear that psychological warfare, a much overrated weapon, has done no more than exploit a crisis created by the Communists themselves—if it has done even as much as that. It is also clear that Soviet policy has had to take different measures in different countries. If the peasants and workers are being appeased in Eastern Germany and Hungary, the screw is still being kept tight in Czechoslovakia and Poland. If the industrial plan is being maintained in one country, perhaps only for the time being, it is being modified in another. The monolith of Eastern Europe is showing deep cracks.

Two main questions have therefore to be answered before western policy can decide its attitude to events behind the iron curtain. What will be the effects in the Soviet Union of these developments, and how will Malenkov and his colleagues handle them? One thing is certain. If the changes in economic policy now being promised in the satellite countries are to be carried out, they must have some effect on planning in the Soviet Union itself. What precisely that will be we cannot tell; but it is reasonable to guess that the industrial equipment and war production furnished by Germans, Poles, Czechs, and Hungarians will fall well below expectations; that the production of consumer goods in the Communist bloc will have to be increased; and that the whole pattern of trade between the Soviet Union

and its neighbours will have to be revised. This is, of course, to assume that what has now been started must go on, that the governments cannot revert to pure Stalinism, and that Eastern Europe must work out policies something like the New Economic Policy that Lenin was obliged to introduce five years after the Bolshevik Revolution. The men of Prague, Warsaw and Budapest may be on a slippery slope.

★

The fact that this is so will become known in the Soviet Union and is bound to play some part in the calculations of Malenkov and his colleagues. It is significant that they have already found it necessary to order factory meetings at which it is explained that disorders in the "people's democracies" are entirely due to western intrigue and provocation. But the Russian worker will doubtless notice that these disorders have in fact secured a better deal for those taking part in them. And he may well wonder whether the concessions that he has been receiving since Stalin's death are somehow part of a general movement of ideas and feelings in the Soviet empire. How his rulers will handle the situation it is impossible to tell; but the next few months may throw much more light on the stresses and strains that make themselves felt in the imperial capital of Moscow.

These conclusions, tentative though they must be, strengthen the case for caution and patience in western policy. It would be foolish to disregard the weaknesses that have been revealed in the Russian hand; but it would be just as foolish to seek a quick and dramatic exploitation of them. The importance of the resistance that has been reported from beyond the iron curtain lies in the fact that it is economic rather than political, that it is spontaneous and not organised, that it may be directed—if there is any direction at all—by workers who want freedom to protest and a better standard of life without wanting a return to prewar ways of government. For the West to attempt to give direction and leadership to these movements would be to provide the Russians and their protégés with the justification they need for a return to sheer terrorism and repression. To keep flowing behind the iron curtain the current of news about what is going on, to keep alive the spirit of criticism and discussion, to reflect the strength and sympathy of the free world—all these are possible and vital things for the West to do. For the objective is still that the peoples of Eastern Europe (Eastern Germany is a problem apart) should one day liberate themselves. If the allied consultations that have now been set in train produce the decision that talks with Moscow should be undertaken, then President Eisenhower and his colleagues could use whatever opportunities negotiation might offer to express their interest in Eastern Europe's future. Until then it would be wise to watch and study the Kremlin's effort to cope with problems of imperialism unique in its experience. To interfere is to run the risk of doing the wrong thing in a most complex and fluid situation.

The Pains of Irish Protectionism

ANOTHER crisis in Irish politics was passed last week. Mr de Valera's government had been defeated in two by-elections. Its parliamentary majority, always narrow, had almost disappeared. Mr de Valera put himself to the test of a vote of confidence in the *Dail*, where everything depended on how the Independents divided. They gave the government a majority of two, with one abstention, and Mr de Valera has obviously decided to trust to this majority in the hope that things will improve before he is obliged to go to the country.

This decision settles nothing. At the most, it prolongs a period of unusual instability. Mr de Valera returned to office, just over two years ago, in most unusual circumstances. The general election had seemed to point to a continuance of the coalition of his opponents which had governed the country since 1948. Mr de Valera's party, *Fianna Fail*, had gained very little in the election. Its principal rival, *Fine Gael*, had markedly increased its representation. But the allies of *Fine Gael* in the inter-party government had lost seats, and when the new *Dail* met enough independent deputies were found to put Mr Costello out and Mr de Valera in.

The new government defined its policy as being to restore stability to public finance and the balance of payments, to press on with a programme of capital investment and to introduce further social legislation. The confused politics of the last two years have, indeed, turned on these matters. They have been the more confused since very often differences of opinion run through rather than between the parties. In financial policy, Mr MacEntee's two budgets have borne full witness to his conviction that accounts must be balanced. In 1952, direct and indirect taxes were increased and most of the food subsidies abolished; this year, the budget speech brought no relief to the taxpayer. Such measures required considerable courage; the pity is that they have not produced the orthodox rewards of a balanced budget. Public expenditure has increased commensurately with taxation; indeed, the two sides of the account were only brought into some relation to each other in this year's budget by Mr MacEntee's promise to effect economies in administration and to abstain from increased government activity until the national income has increased. The fulfilment of this promise would entail placing a standstill order on the activities of the Minister for Industry and Commerce, Mr Lemass. He, it is believed, is unimpressed by the anxieties of the Department of Finance.

Mr Lemass has his own worries. Programmes of capital investment are pressed with the same vigour as in the days of Marshall aid, and state borrowing continues, though at markedly higher rates of interest. The

main form of investment is still housing and kindred services. Though there has recently been a seasonal decline, unemployment is running at higher levels. While part of the increase may reflect the extended scope of unemployment relief, the employment situation is now genuinely more difficult than at any time since the end of the war. The remedies applied by Mr Lemass take the traditional protectionist forms of higher tariffs and smaller import quotas. The consequent increase in prices bears heavily on a community that has to provide for higher taxation. It is arguable that

STRENGTH OF THE PARTIES

	1948 Election	1951 Election	Now
Fianna Fail (de Valera) ...	68	69	69
Fine Gael (Costello)	31	40	45
Labour	19	16	15
Clann na Poblachta			
(McBride)	10	2	2
Farmers	7	6	7
Independent	12	14	9

a prime element in the economic situation is that the public cannot afford the level of costs and prices that government policy has helped to create. Ireland perhaps provides an example of how protection and high taxes can price an economy out of its own market. Certainly the most prosperous sector of the economy is that which stands to "gain" least from protection. Agricultural exports have increased; aided by the reaction from stockpiling, this has brought about a notable improvement in the balance of payments. On the other hand, the costs of Irish agriculture are already sufficient to price some of its products out of possible export markets.

★

The government is under a special obligation to sponsor further social legislation. Its majority depends partly on the support of Dr Browne, who resigned from the previous government when he did not receive his colleagues' support for a scheme of maternity treatment that was strongly opposed by the Catholic bishops and by the doctors. For some time past the *Dail* has discussed a new health bill; chiefly in terms of what the opposition thinks of Dr Browne and what he thinks of his medical and political colleagues. There has been little discussion of the bigger issues involved—of how far it is possible to improve health services by simple reorganisation, or of the implications of burdening the budget with the heavy overheads of extensive health services. Behind these matters lies the further question—which in Ireland is not merely unanswered but hardly, as yet, fully phrased—of the proper place of

state services in the community. It has been well remarked that Ireland is at present attempting to combine social ideas resembling those of, say, Portugal, with the legislative framework of a welfare state on British lines.

It is doubtful if the electorate relates the health bill to those fundamental principles. Indeed, the importance of social legislation in Irish politics can be exaggerated. It is often said that while Dr Browne brought down the inter-party government by his resignation it was in fact driven to a general election by a dispute with the dairy farmers about the price of milk, an issue which stirs more electors more deeply than all the maternity services that were ever thought of. Some provisions of the health bill would increase local taxation, and it may be remembered that Irish farmers escape income tax but do pay rates.

All these questions have been sharpened by the succession of government defeats in by-elections, which have made Mr de Valera's position so insecure. His

waiting tactics may succeed. He may ride out the storm. But there is no margin for accidents. And whether or not the government is able eventually to face the electorate in happier circumstances, the problems that have occupied attention for the last two years will remain. It is not obvious that they will in any event be tackled. Some of the economic policies that are needed—such as the freeing of trade and reduction of costs in both the public and private sectors of the economy—will initially be unpopular. A government that tackles these matters will have to be sure of its own mind, and of its supporters. The last is the great difficulty. Divisions of opinion on social policy, state expenditure, tariffs and investment are common to all parties; they exist as much in the opposition as in the government. As in Britain, the balance of power in the last few years has been so delicate that it is peculiarly difficult for either of the major parties to adopt unpopular measures. In Ireland it seems unlikely, all in all, that there will be much change just yet.

Notes of the Week

The Labour Leadership

THE blows that fell on Mr Herbert Morrison in the last months of the Labour government, and continued last year, would have broken many men. Even for him, the road back to power within his party is proving to be very difficult. But at least a road now seems to exist. The trade unions have taken a long time to overcome their doubts about Mr Morrison but, having made up their minds, they cannot be accused of dilatoriness. The National Union of Mineworkers has invited him to stand for the treasurership of the Labour party and the two big general unions are reported to be willing to support his candidature. The union leaders concerned would probably have preferred to lay their plans in private and to persuade Mr Greenwood, who has held the office for ten years, to retire gracefully from the scene. But the trap has apparently been sprung prematurely; a somewhat aggrieved Mr Greenwood has no intention of withdrawing. Mr Morrison has nevertheless decided, after some hesitation, to stand.

It can be assumed that Mr Morrison has no great interest in the treasurership for itself. His goal must remain the leadership of the party in the House of Commons, which alone can gain him entrance to 10 Downing Street. The choice of leader technically rests with the Parliamentary Labour party, but no one would fancy the prospects of a candidate who did not enjoy the backing of several of the big trade unions. At this stage, the unions themselves are

not thinking very much about the party leadership. Mr Attlee may be abdicating the intellectual leadership, and even the control of party strategy, but he remains a respected figure with a good deal of personal authority. What disturbs the leaders of the big unions is the presence on the party's national executive of Mr Bevan and five lively lieutenants, without anyone of similar calibre to oppose him. Nor can they ignore the fact that either this year or next Mr Bevan must, on seniority, become vice-chairman of the party with a view to becoming chairman twelve months later. They have decided that Mr Morrison is the necessary counterweight. It has taken the death of Ernest Bevin and the menace of Aneurin Bevan to put the miners behind Mr Morrison, but if he helps them now by gaining the treasurership they are unlikely to forget him when the leadership falls vacant.

For Mr Morrison, this is the only way back on to the executive. The constituency parties which rejected him last autumn could not be relied upon to take a more kindly view this year. In the election for the treasurership, the union can use their block votes in his favour. That does not make the issue certain, if Mr Greenwood remains determined to fight; 73 years old, ailing and venerated, he will command some sympathy votes apart from having the support of a Bevanite influence. But the three big unions already pledged to Mr Morrison give him up to 2 million votes and he should be able to count on some constituency parties and many smaller unions. His decision to stand must be based on a careful estimate, for to be defeated now would indeed be taken as the final ruin of Mr Morrison's hopes.

Television Befogged

THE two statements on television that the Government has already made this month could hardly have been vaguer. They are intended to quieten controversy until the autumn, and that is all. The report of the Television Advisory Committee—which was published this week and is discussed in a Business Note later in this issue—in effect takes a conservative view of the number of television services that can be started within the next three years or so. The Government appears, so far as the Postmaster-General's statement went, to accept this view. It has also given the BBC permission to make a start with the development programme that the corporation would like to treat as an alternative to commercial television. And at the same time, it has promised to publish in the autumn a White Paper defining the terms on which "competitive" television "might" be permitted to operate.

The only conclusion to draw from all these contrary indications and muffled phrases is that the Government does not know what it is going to do. Ministers have been severely shaken, but as a whole they have not yet been fully converted, by all the high-minded objections to commercial television. Until the autumn, therefore, all the interests—both vested and thrusting—are left to go on exerting their pressures. Politically, it remains very difficult for the Government to withdraw altogether from the policy it declared last May, that "in the expanding field of television some provision should be made to permit some element of competition." A full retreat would delight the Labour party and anger many of the Government's supporters in the House of Commons.

The Government is obviously tempted to move towards a compromise: it could permit competition in theory, but find technical and moral reasons for hedging it round with such restrictions that few or no commercial stations are set up and the BBC retains in practice an overwhelming advantage. But there are two practical objections, as well as those of principle, to such a compromise. It would be insecure, because the technical arguments would change with improvements in television transmission. And it would satisfy only those people who have a vested interest in preventing advertising by television. If they mean what they say, the would-be controllers of public taste will be satisfied with nothing less than an absolute declaration of the BBC's inviolability. If the Government is still willing to assert any other principle—as it should—the practical arguments are for letting the competition be genuine: which does not mean, of course, that it need follow the American model.

Flames Flicker in Soviet Germany

FIRMNESS with the Russians has paid in Berlin. Travel restrictions have been lifted between the eastern and western sectors, although General Dibrova had previously declared that they must be retained until the western commandants called off the "West Berlin agents and fascist provocateurs" who, according to the Russian myth, were

responsible for the recent riots surveyed on p. 106. It is understandable that the raising of the barriers in Berlin has been accompanied by a warning that further disturbances will be severely repressed, for unrest in Berlin and the Zone is far from over. Last Tuesday a deputation of East Berlin workers, after consulting with West Berlin colleagues, declared that mass demonstrations would be avoided, but that strikes would be organised in individual factories until men who were arrested in the recent troubles have been released. Some such strikes have now taken place.

The mood of the workers is one of intense bitterness against the Communists, the *Volkspolizei*, and against the Russians for not having fulfilled the hopes they roused when they first forced repentance on the SED. The men in the factories are loyal to their comrades and intensely resent the brutal way in which thousands of arrests have been made and reprisals carried out on the families of the strikers. The SED has granted concessions, and the leading posts in the government will probably be reshuffled, but it is still in power. Yet no changes in the facade will now satisfy the Germans in the Zone.

By distributing the state reserves of food and clothing the SED hopes to overcome the immediate crisis in supplies. But the shoes to be distributed will amount only to one pair for every eight of the 6½ million workers, and the quantity of textiles to only three-quarters of a yard apiece. And, on the political side, the SED has given no sign of introducing the democratic elections to the trade unions and parties that the workers demand. Mr Semeonov's instructions, it seems, only allow him to do too little and too late.

Towards a French Commonwealth?

DESPITE the urgent economic and political problems demanding attention in France itself, M. Laniel and his new cabinet have turned first to Indo-China. Public opinion is thoroughly aroused over this costly and apparently endless struggle, and M. Mendès-France's hint of direct negotiations with Ho Chi-minh elicited a wide response. The present right-of-centre coalition knows that its days are numbered unless it can present some answer of its own to the general protest from the left that France is being bled white in Indo-China and to no purpose. By dissolving the Ministry for the Associated States, M. Laniel made it clear that he would put the problem directly in the charge of himself and M. Reynaud, his deputy premier. It was known, moreover, that M. Reynaud had it in mind to change the very nature of the French Union so as to make it more like the Commonwealth. Others in the cabinet, however, together with M. Bidault, strongly oppose any loosening of the administrative ties between France and the territories overseas. From this division in M. Laniel's cabinet there has resulted an offer to the Associated States that represents a compromise and a series of verbal generalities rather than a real step forward.

Identical but separate notes have been sent to Laos, Cambodia, and Vietnam, inviting each government to bilateral discussions on whatever political, economic or juridical issue it wishes to raise. The ultimate goal is to

modify the agreements of 1949 and 1950 with the Associated States in order to allow a larger measure of autonomy. This purpose, moreover, is underlined by the appointment as Commissioner General of M. Lejean, a diplomatic rather than a military or administrative figure. But the French note gives no specific indication of how far the French Government is prepared to go. Whereas the Quai d'Orsay insists that nothing more is intended than a series of adjustments in the present situation, M. Reynaud has gone so far as to say that any one of the Associated States will have the right to discuss whether it wishes to remain in the French Union at all.

Analogies with the Commonwealth merely obscure the problem. They cannot be drawn with any accuracy because the Associated States are at present quite incapable of economic or military autonomy, and because the whole conception of the French Union is based on the idea of central administrative organs. Indeed, the present vague offer looks more like a reluctant reaction to a deadlock and to recent troubles in Cambodia than a new French initiative. If France intends to develop further the participation of the Associated States in the Indo-China war and hopes to build up a stock of loyalty for the future, it will have to go more than half way; a formula for autonomy within federal union will have to be found. To find it is difficult but not so difficult as a continuation of the present thankless effort in South-East Asia.

Changes in Hungary

SINCE Moscow has set a new fashion for collective responsibility, it was perhaps unlikely that Mr Rakosi could retain much longer his dominant position in both the Communist party and the government of Hungary. But the changes announced by Mr Imre Nagy, the new Prime Minister, represent such a startling reversal of the economic policies of the regime that they alone provide a sufficient reason for Mr Rakosi's retirement into the wings. He is certain to do a good deal of prompting, and within the party his position remains unrivalled. He is no longer secretary-general, but his two colleagues on the three-man secretariat are very young men who are unlikely to challenge his authority. In Hungary, however, it is not enough to rule the party; to have popular prestige it is necessary to have a seat in the cabinet as well.

It is clear that Moscow's influence may be strengthened rather than weakened. Mr Nagy is a staunch and completely loyal Muscovite; so is his second-in-command, Mr Geroe, who as Minister of the Interior will control the security police. And the new Minister of Defence, General Bata, who comes from the sub-Carpathian Ukraine, is a Russian citizen, whose knowledge of Hungarian is far from perfect. He might, indeed, be called Hungary's Marshal Rokossovsky. The strong passive resistance of the Hungarian workers and peasants has made Moscow offer far-reaching concessions, but it knows that it is taking a calculated risk and is determined to keep it as small as possible.

The changes are clearly in the nature of a controlled experiment; there has not yet been any irrevocable reversal of policy. Nor, it seems, are there to be any scapegoats. Mr Nagy says flatly that the five-year plan is beyond the

country's strength and that there are "no justifiable reasons for exaggerated industrialisation." But Mr Geroe, who was responsible for all this, gets the key post of Minister of the Interior. Again, Mr Nagy complains that collectivisation has been "far too rapid" and that there has been "too much intimidation" of the peasants. But Mr Nagy, himself, when Minister of Agriculture after the war, took a tough line with the peasants; and the new Minister of Agriculture, Mr Hegedus, who is to give the peasants a new deal, must be identified, as Minister of State Farming in the previous ministry, with the old repressive policies. The new Cabinet may have been well shuffled, but there are few new faces in important posts. The Hungarian people must face the future with a good deal of scepticism.

Rewards of Representation

THE Government has not yet hardened its heart against the attempts of some Members of Parliament to get their salaries raised. After a meeting with the Opposition on Wednesday, it is discussing with Conservative members the appointment of a Select Committee. This would be a fact-finding body to investigate their financial problems and compare their £1,000 a year with the salaries and perquisites obtained by members of other legislatures.

Some attempt to do this has already been made by a group of members of all parties, through a new organisation called the Members' Parliamentary Committee. It has found that British MPs are, relatively, not so badly off as they thought, at least compared with their European counterparts. The money figures are far from conclusive, since they do not take account of considerable differences in living costs. But for what they are worth they show that Turkey pays its elected representatives rather better, with a salary equivalent to £1,750 and free travel. The Belgians do a little better, with salaries of £1,285, of which nearly £800 is tax free, and so do the Italians with salaries of only £440 but expense allowances of between £900 and £1,250. But in the Scandinavian countries and Holland the salary does not reach four figures. European representatives, like British MPs, have to pay their own secretaries and usually there is no room for them to work in the parliament buildings. Compared with the American House of Representatives, of course, all European parliaments are like workhouses. The Congressman gets £5,170 with an expense allowance of £890. He is allowed £285 for stationery and £5,170 for clerical help, and he has an office suite close to the House of Representatives.

It is not by such comparisons, however, that the proper salary for an MP can be judged. The real question is whether he is paid enough, or gets enough help in kind, for Parliament to get what is needed from him. The evidence suggests that he is not. In this connection it is most important that the committee should examine the position of junior ministers. They get a total of only £2,000 a year, out of which they must pay the usual secretarial and other expenses, and they are not allowed to supplement this with outside work. Able men are lost to the Government because they cannot afford to let their earnings drop to this level.

Featherbed or Safety Net?

IN the House of Commons last week the Minister of Agriculture proudly showed that farm production continues its upward trend towards the objective of a 60 per cent increase over the prewar level; the provisional index for 1952-53 is 151. But the Minister had little to say on the contentious issues of agricultural policy, and the widely ranging debate displayed considerable confusion on both sides of the House. Like the public at large, members remain unable to make up their minds on the extent to which farming should be treated as an ordinary economic occupation.

What Sir Robert Boothby called "the hideous days of Free Trade" are gone. The simple measuring rod of profit-and-loss cannot be applied without qualification to agriculture. One way or another, an expanded agriculture must prosper. This much is agreed. But it leaves plenty of scope for disagreement not only about methods but also between the two different attitudes that may lie behind subsidies, guaranteed prices, or other pieces of preferential treatment. One school of thought may be defined as that of expansion-at-any-cost; the other of reasonable-value-for-money. The first had the upper hand throughout the debate, but few speakers seemed to be certain whether they were debating an economic or a logistic problem.

The respective merits of various proposals—from the improvement of rural amenities to marketing boards—were consequently discussed more or less in a vacuum. The irrepressible Mr Stanley Evans was almost alone in trying to relate the cost of agricultural privilege to the return in extra food production. No one posed the basic question of how the promise of general stability in prices, which is necessary for confident expansion in agriculture, can be reconciled with flexibility in the prices of particular crops—which is also necessary if supply is to be matched to demand. Mr Nugent, for the Government, expressed confidence that in the "freer" economy prices could be "worked out" and maintained at "the right level in the interests of both producer and consumer." No arrangements that have yet been proposed provide any basis for such confidence. Certainly a genuine flexibility, "worked out" in the market, is compatible with the security of floor prices, or more accurately of "safety net" prices that would protect the farmer against serious losses. But while the expansion-at-all-costs mentality prevails, so realistic a compromise seems unlikely.

The Long-term Unemployed

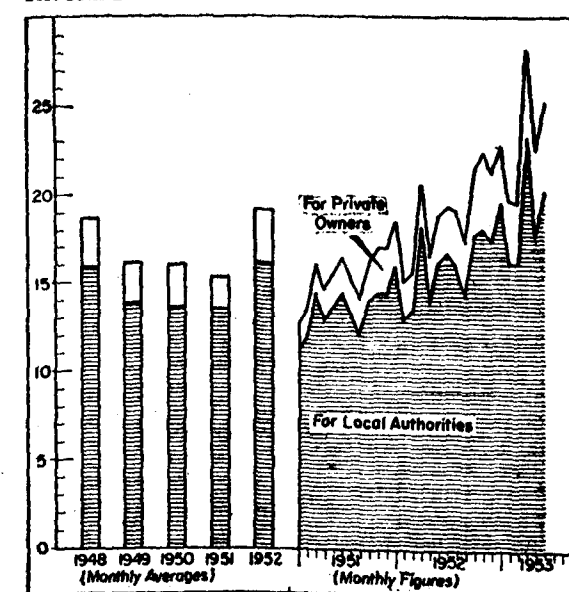
ON Monday the House of Commons revived a prewar drama, with the Labour party accusing the Conservatives of wanting to subject the unemployed to a means test. On July 5th, Section 62 of the National Insurance Act of 1946 automatically expired. Under this section, the unemployed who had exhausted their right to unemployment benefit could apply to a local tribunal to have their benefit extended, without a means test and at the Exchequer's expense, for six months at a time. The Labour Govern-

ment made this provision in the 1946 Act because it feared postwar dislocation and mass unemployment. If there were mass unemployment, and ordinary unemployment benefit was unlimited in duration—as a minority of the Labour party wanted—the insurance fund might be made bankrupt, as it was in the great depression. On the other hand, if there were no other means of relieving prolonged unemployment, large numbers of workers would have to have recourse to the Assistance Board and be subject to a means test. Extended benefit was intended to get round this dilemma, and because it was intended also to meet a special situation—a postwar slump—it was made a temporary measure.

Should it have been continued? The Government is apparently confident of the continuing success of full employment policy. It has decided that, since the circumstances for which Section 62 was framed have not materialised, other provision for the long-term unemployed ought to be made. It has, therefore, made regulations allowing an unemployed person to draw, subject to a satisfactory record of contributions, ordinary benefit for nineteen months, compared with the previous maximum of one year. This more generous system of benefit will, according to the Minister, pick up many of the 48,000 who are now drawing extended benefit and whose cause the Labour party is championing. Mr Peake went on to say that, so far from the whole 48,000 being driven on to national assistance, many of them are drawing it already to supplement their extended benefit.

Section 62 was intended to affirm the state's duty to maintain full employment and to assume direct financial responsibility, without a means test, for employable people for whom it could not find jobs. In practice, it mainly shielded those whose ability to obtain and hold a job is precarious. In present economic circumstances, therefore, the Government's decision not to re-enact Section 62 is justified. But a prolonged depression might well force whichever government is in power to revive it.

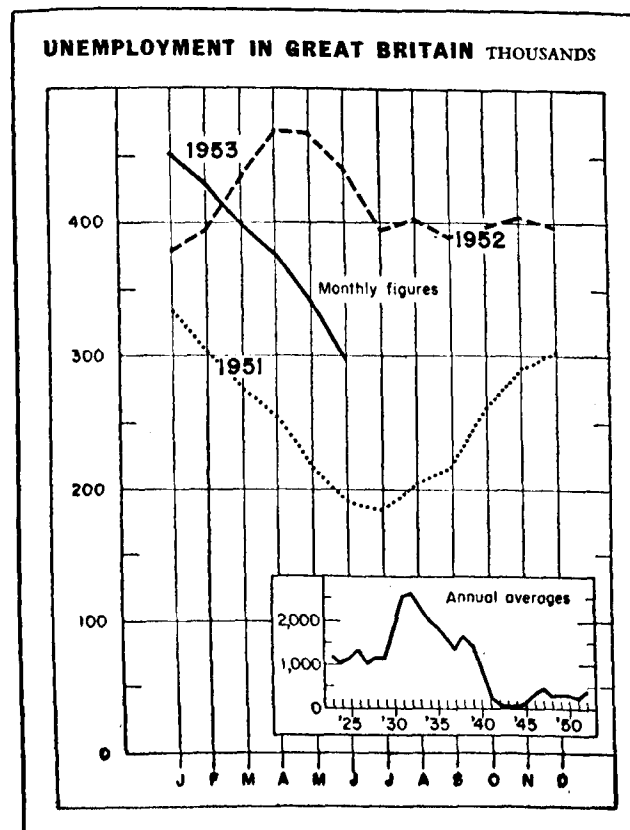
HOUSING PROGRESS
Permanent Houses Completed in Great Britain
THOUSANDS



Trojan Horses in Italy

PARLIAMENTARY democracy in Italy is beginning to take on a dangerously French look, in which leaders of intricate and artificial centre coalitions will walk on a tight-rope. Signor De Gasperi has reluctantly agreed to try to form a government, but even if he succeeds in doing so such a government would have no real prospect of stability and only the barest margin of votes with which to carry out its programme. Signor De Gasperi and the Christian Democrats will have to take into the coalition camp a number of dubious allies; the question is to decide which of several Trojan horses is least dangerous. There is still hope that the Social Democrats will co-operate, despite the negative response of their leader, Signor Saragat. Having failed either to woo the fellow-travelling Signor Nenni into a socialist bloc or to persuade Signor De Gasperi to accept him in the government, Signor Saragat is trying to lead his eighteen colleagues into splendid and barren isolation.

If he succeeds, Signor De Gasperi will have to turn towards the Monarchists and Signor Lauro with their forty seats. In fact, however, this would mean not only that the Republicans (five seats) would desert Signor De Gasperi, but also that the more liberal elements in his own party might rebel. For whatever may be the extent of agreement between Christian Democrats and Monarchists on issues of foreign policy, the latter would not stomach land reform and a more liberal economic policy. The Monarchists, moreover, have indicated clearly that they would prefer to join a coalition led by Signor Piccioni, a Christian Democrat to the right of Signor De Gasperi. If, on the other hand, the Social Democrats overrule their leader and decide to enter the government, the latter's centre of gravity would



shift to the left. In that case, Signor De Gasperi might prefer to hand over to Signor Gronchi, on the left of the Christian Democrats.

The obvious winners in this complex and shifting game are the Communists and the left-wing Nenni Socialists. That parliament should become powerless and that the Christian Democrats should be prevented from continuing the task of government is entirely to their advantage.

Lysenko Dethroned

TROFIM Denisovich Lysenko, whose name has become the symbol of Stalinist narrow-mindedness and intolerance in science, is dethroned. He, whose infallibility was for years beyond question, is now being openly attacked in several Soviet publications. Lysenko is a biologist who is regarded in the West as a brilliant practitioner and a poor theoretician. The controversy which opposed this pupil of Michurin and his group to the followers of Mendel, Weisman or Morgan could have been of interest to scientists only. What raised it, however, to the level of a *cause célèbre*—provoking disgust even among Communist sympathisers outside Russia—was the method by which the "truth" of Lysenko's arguments was "proved" through the party's and Stalin's own backing. At a scientific congress held in 1948 Lysenko forced his opponents into submission and Molotov himself boasted afterwards that:

The scientific debate in the sphere of biology was carried out under the guidance of our Party. The guiding ideas of Comrade Stalin here again played a decisive role opening broad perspectives for scientific and practical work. . . .

By that time, it is true, Stalinism had learnt not to cut off its nose to spite its face, and Lysenko's opponents were only downgraded and not purged as they would have been in the thirties; but the sanctification of Lysenko as the high-priest of the new science and the establishment of "scientific truths" by Party decrees smacked of the Middle Ages.

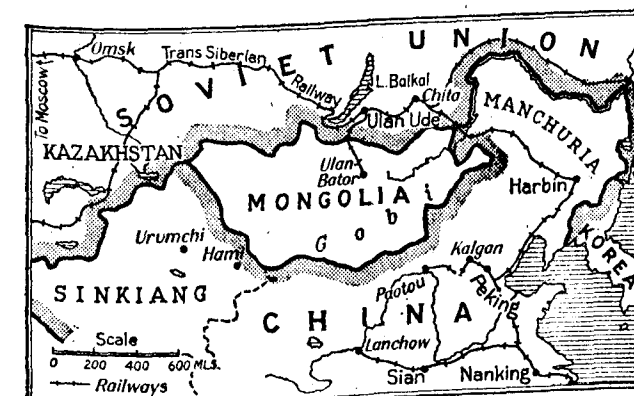
Lysenko's rise was largely due to practical considerations—his theories on heredity, if true, would have offered vast scope to Soviet agriculture—and so probably is his relative decline. The practical experiments cannot have come up to expectations, since the Academy of Sciences now blames Lysenko's Institute for failing "to make theoretical contributions of practical value." But there is more to it than that. The new line was heralded by attacks in the party theoretical organ, the *Komunist*, on "monopolies" in science. The *Botanichesky Zhurnal* apparently thrust this accusation at Lysenko and also blamed him for trying to solve scientific problems by government decrees. Lysenko may or may not have been disgraced, but he certainly has been toppled from the pedestal of high-priesthood.

Slow Train to Peking

A CRYPTIC reference in a Russian journal to a project for a new railway link between Moscow and Peking seems to have started a train of conjecture fast enough to outstrip the track itself. The project itself is not new

During the war the Nazis, taking the conquest of Russia for granted, dreamed of a railway across central Asia that would make strategic co-operation with Japan easier and promote German trade with the Far East. Indeed, as far back as the 1890s, when the roundabout Trans-Siberian line was being built, various shorter routes to China were discussed but rejected; it was clearly more economic for the railway to pass through the fertile zones of southern Siberia and Manchuria than to cut across the Mongolian deserts. Today, however, new factors have entered the picture. Industries have grown up in Soviet Asia and are planned in China's western borderlands. The governments in Moscow and Peking seek both to tie China's economy into that of the Soviet bloc and to improve their military communications. It would be surprising if they were to rest content with the present 4,500-mile rail journey between the two capitals, which takes a fortnight even by "express."

Since they became masters of China, the Communists have made play with the idea of a line through Sinkiang, whose minerals both they and the Russians regard as invaluable resources. This line might take off from the Turksib railway in Kazakhstan and run by way of Urumchi (Tihwa) and Hami to the Chinese railheads at Lanchow and Paotou on the Yellow River. East of Hami such a railway would have a wide desert to cross, but it would help to open up China's west. The project now contemplated, however, may take only the more modest form of a line across eastern Mongolia. From the Trans-Siberian near Lake Baikal, a



branch line already runs to Ulan Bator, whence it is only a little more than 500 miles across the Gobi to Paotou. A short-cut here would certainly bring Peking nearer to Moscow, but would be of little service to the development of China itself. However, even this advance seems to be some way off as yet; it is only the plans, not the line itself, that are said to be nearing completion.

Mr Nehru on Africa

MR NEHRU'S presence at the Coronation was widely regarded as an indication that he remains sincerely convinced of the value of the Commonwealth association and of a co-ordinated Commonwealth policy. But in London the Prime Minister of India made no secret of his conviction

that the gravest problem facing that association of like-minded states was racial domination, more especially in Africa. Perhaps to offset his concurrence in the Commonwealth communique, which recorded so much agreement on so many other subjects, he has now voiced in the strongest terms not only his detestation of the treatment of Africans in "some parts of" Africa but his country's abiding sympathy with "countries which sought their freedom from colonial authority."

No doubt this outburst was largely for internal consumption. It was made at a meeting of the All-India Congress committee. A rousing lead was needed, both to divert attention from some of the more drab aspects of the Indian government's achievements, and possibly to forestall criticism of Mr Nehru's presence in London. Inter-family criticism may represent the only terms on which Indian leaders can keep their country in the Commonwealth family. But external influences are probably also at work. Mr Nehru's remarks may please the Arab countries with which India works closely in the United Nations. In these circumstances, they are no doubt expected to be taken in good part by those at whom they are directed, as a contribution to the Commonwealth's policy and philosophy by one of its elder statesmen.

But to whom are Mr Nehru's rebukes directed? Is it the Kenya Government or the Union Government that is treating Africans "like wild animals"? Or is Central African Federation at fault? The remarks might even apply to facets of Belgian or French administration. Mr Nehru left everything very vague, but European governments in many parts of Africa will no doubt be fitting on the cap and getting correspondingly angry. The pronouncement will hardly improve relations between Indians and Europeans in Africa, and it will certainly give fresh substance to the bogey of "Indian Imperialism" along the East coast of Africa. It will give passing pleasure to a few African nationalists, but Mr Nehru can hardly believe that it will help in any way to lessen racial tension.

Scientists Nipped in the Bud

ONE person out of every 31, in the age group concerned, now reaches the university, compared with a proportion of about one in 60 before the war. In the opinion of the University Grants Committee, whose report on the

Next week's issue of
The Economist
will include the annual
review of
BRITISH INSURANCE

years 1947 to 1952 was published this week, very few people are being refused places. This is the general position. But within the total there is a need to increase certain university faculties now.

The University Grants Committee has shown signs of uneasiness before about the output of arts graduates. This time its language is slightly stronger:

It is doubtful whether the future demand for arts graduates will be sufficient to absorb the entire output of the universities at their present rate. On the other hand, there are certain fields of vocational training from which a substantially higher output is urgently desirable.

Only a brave man will use the word "vocational" in academic circles. But it is absurd that the nation should be paying for far more arts students than it needs, and not getting the scientists and technologists that it needs desperately. To make science faculties bigger, at the expense of arts, would be costly in building and equipment. But it is even more likely to be hampered by the attitudes of the universities themselves, where academic tradition may be stronger than fears about national solvency. As arts students are still by far the largest group in the universities, they could give way quite a bit without really endangering that "balance" in the universities which is so often pleaded as a reason against any change at all.

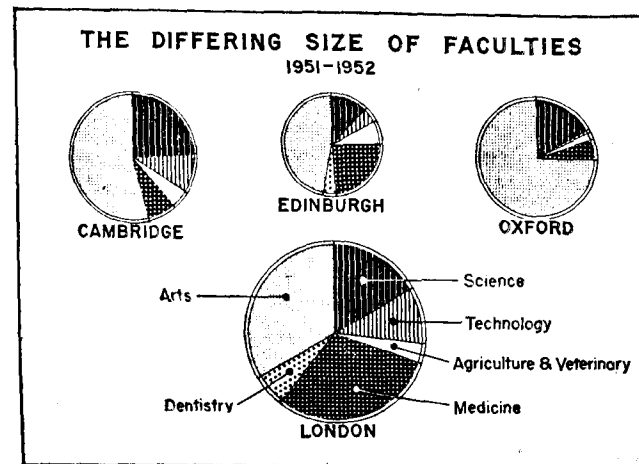
In one sense, however, it is to the advantage of the universities that the change should be made; it would slightly raise the quality of the students. The pressure

Then and Now

Now, let us remind our readers of the condition of the country before 1842. In 1841 the general distress provoked almost universal discontent, and the people sought relief at the hands of a new Ministry. The Whigs were turned out, and the Conservatives, with Sir R. Peel at their head, were placed in office. Then the revenue was both deficient and declining, and the resources of the country seemed to have come to an end. New taxation yielded so little, that it was felt and proclaimed to be impossible to extend it with the least advantage. Substituting direct for indirect taxation, abolishing prohibitions, removing duties from the raw materials, and lowering them on the means of subsistence, [Sir R. Peel] began the great work which he and his successors have carried on to the present day, giving us as the result free trade and free navigation. The gist of all the changes then and subsequently made was to remove impediments from trade, to set industry free, and give scope to the exertions and enterprise of individuals. Since this new system came into use, circumstances have subjected it to a severe trial. . . . Through all these calamities . . . England, under the influence of her improved commercial system, has passed without serious injury, and has recovered more speedily than could have been expected. . . . Let any person who has lived through the incendiarism of "Swing" in 1830, the Reform riots of 1832-4, the "plug" riots of 1842, cast back his thoughts on the successive disasters and destruction of property that prevailed continually and immediately before the system of Free Trade came into operation, and he will find abundant reason to rejoice that he has lived to see better days, and to mourn over the prejudices that so long shut us out from the greatest physical and moral improvements that were ever vouchsafed to an old nation.

The Economist
July 9, 1853

for university places is greatest in the medical faculties, which (following the advice of the Goodenough Committee) have undergone a relatively small expansion since the war. The next strongest demand for places is in pure science, and people who would have made useful scientists are being turned away while others, probably of inferior ability, get places in the arts faculties. On the other hand, in spite



of the much-publicised demand for technologists and the good pay that they can command, the number of applicants has fallen slightly and the universities can accommodate them without difficulty. It would seem that in the eyes of teachers and parents pure science still enjoys a mystical prestige over applied science. The best administrative arrangements are helpless against this attitude.

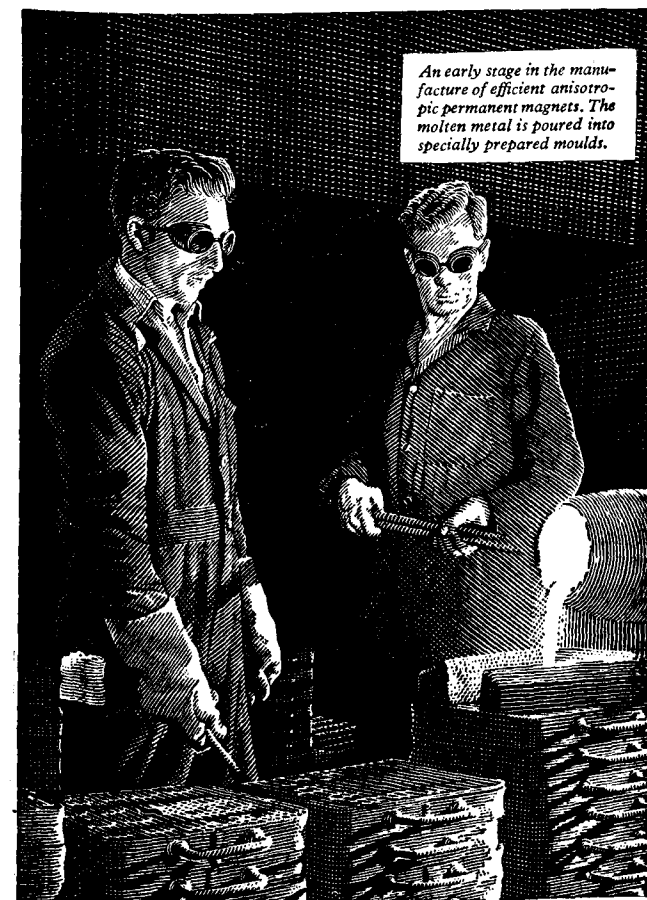
Committee on the Old

THE fifth anniversary of the social security scheme has been marked by the appointment of another committee. Its terms of reference, according to Mr Butler's announcement last week, are

to review the economic and financial problems involved in providing for old age, having regard to the prospective increase in the number of the aged, and to make recommendations.

They are thus wide enough to cover private pension schemes, as well as the statutory old-age pension, and also the crucial question of whether the accepted age for retirement should be postponed.

There are at present four committees concerned with one aspect or another of the social security scheme. The National Insurance Advisory Committee is a statutory body to which the Minister has to submit draft regulations and whose general purpose is to advise him on the whole working of the national insurance scheme. There is also the Minister of Labour's National Advisory Committee on the employment of older workers, whose first report is expected shortly. The third is the Guillebaud Committee on the cost of the health service, which will have to take into consideration the ageing of the population. Now comes the new committee under the chairmanship of Sir Thomas Phillips. In prospect, moreover, is the statutory quinquennial review by the Government actuary of the



PROGRESS IN ELECTRONICS

MANY of the great technical achievements of this age stem from scientific investigations that have led to improvements in the properties of materials. This is especially true of the electronics industry.

The rapid progress in electronics has been marked, for instance, by the development of new and improved magnetic materials. One of the most important of these is an efficient anisotropic or directional permanent magnet. Another is a magnetic ferrite of exceptionally high permeability eminently suitable for the cores of high frequency inductances. A third is a non-metallic permanent magnet which is actually a true ceramic.

All these remarkable materials, which were pioneered in this country by Mullard, have had a considerable influence upon the design of better and more compact electronic components and apparatus. Their successful use is due in no small measure to the work undertaken by the Mullard Applications Advisory Service, which is itself backed by a comprehensive research organisation.

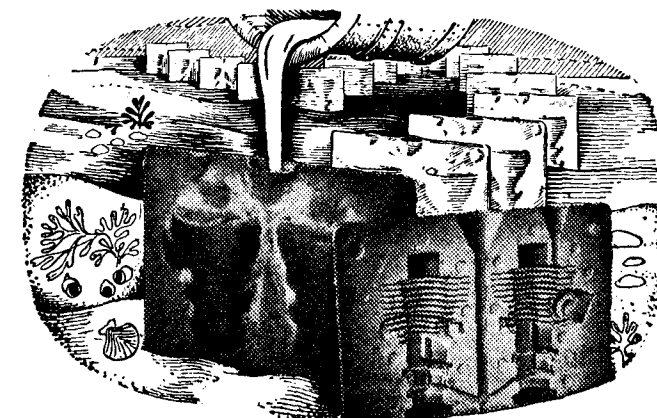
Mullard

MULLARD LTD., CENTURY HOUSE, SHAFESBURY AVE., LONDON, W.C.2

Factories at: BLACKBURN • FLEETWOOD • GILLINGHAM
HOVE • MITCHAM • WANDSWORTH • WHYTELEAF

(M3974)

Sand into Shells



A mixture of dry sand and a special heat-hardening BAKELITE Resin is dropped on to a heated metal pattern. A strong, light 'shell' is formed, which makes a very suitable mould for metal castings. It sounds simple, but the process represents a revolutionary advance in foundry practice. It means cleaner, more accurate castings that need little or no machining. The development of a suitable resin is another example of the practical benefits to industry that flow from Bakelite Limited's research. The story of plastics is already a long one, but new pages are being written every day — by the organisation whose pioneering efforts were mainly responsible for the general adoption of these versatile materials.

Please write for booklets describing the Shell Mould process or BAKELITE products generally

BAKELITE
VYBAK
WARERITE

Regd. Trade Marks

Producers of Phenolic, Urea, Alkyd & Silicone Moulding Materials • Laminated Sheet, Rod & Tube • Glass Fibre & Asbestos Laminates • Phenolic & Urea Resins.

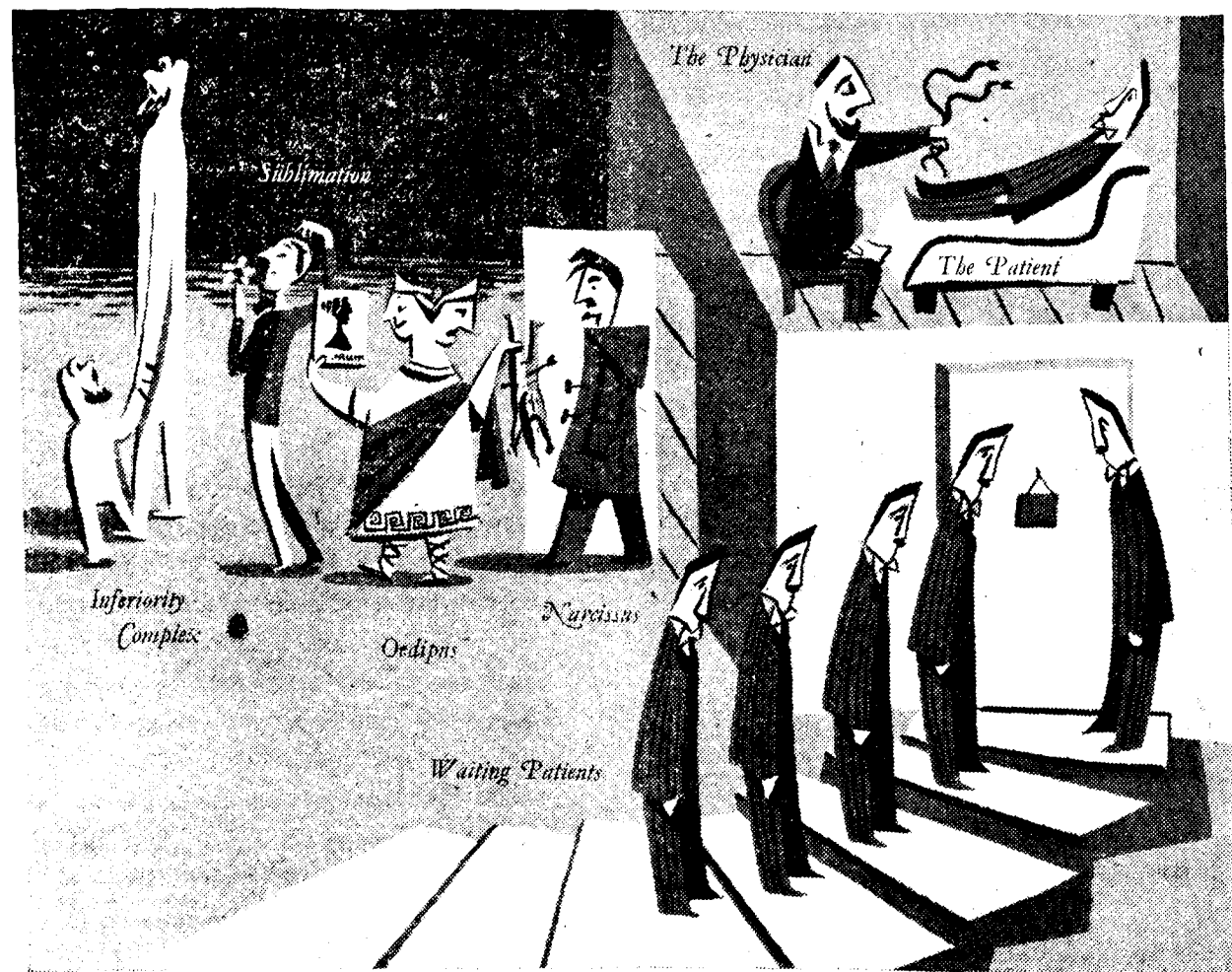
PLASTICS

Cements & Adhesives • Polyester Resins • Rigid & Flexible PVC Sheet • PVC Moulding & Extrusion Compounds • Decorative Laminated Plastics.

BAKELITE LIMITED
first and still foremost

BAKELITE LIMITED • 12/18 GROSVENOR GARDENS • LONDON • SW1
Telephone: SLOane 0898

G121



Schweppshire Shows the Way

5. RE-INHIBITATING CENTRE

The Story of the Psychological Wing of the Middleschweppes Hospital illustrates Schweppshire's ability to progress beyond progress.

EARLY DAYS. Middleschweppes was the first to prove that Freud was not, in fact, Freud at all, but existent as a buried personality-wish.

FIRST FRUITS. The Middleschweppes psycho-analyst squad perfects its techniques and psycho-analyses more psycho-analytically than any other psycho-analysts anywhere.

COURTING DISASTER. Complete and universal psycho-analysis irons everybody so completely flat that it is impossible to tell the difference between people except by labels.

A CRISIS AVERTED. Boldly progressive once more, the crisis is met by de-psycho-analysis, employing the now familiar methods of re-inhibition, re-packing the subconscious, complexing up, and making

everybody tremendously different again without exactly knowing why. Note, in the *BEFORE* (bottom right of main picture), the absolutely ordinary. *AFTER* (top left) the absolute un-ordinary or different.



Designed by Lewitt-Him, written by Stephen Potter.

financial condition of the insurance fund, as well as the Minister's review of the adequacy of pensions and other benefits.

Mr Butler assured the House of Commons that there will be no overlapping. Perhaps, indeed, the Phillips Committee is to act as a sort of national assistance scheme to the other committees by reviewing every aspect of old age that falls outside their scope. Its appointment does at least make clear the present Government's attitude towards the cost of social security. Labour intends to abolish health service charges and increase benefits and pensions annually to meet any rise in the cost of living. The cautious Conservatives appoint committees.

Peron's Deal with Moscow

HISTORY is both made and unmade by the Soviet-Argentine trade agreement announced this week. For the first time, Russia is offering credits—to the tune of nearly £11 million—to a country outside its own orbit. It has also promised to sell Argentina oil-drilling equipment, an item which Russia itself has lately been seeking from the West, and railway equipment and precision instruments, two categories of goods for which Communist China had likewise been approaching European traders. Argentina, for its part, has offered linseed oil, wool, hides, pork and

mutton; no beef appears to be involved, which is hardly surprising in view of the current lag in deliveries of beef due under the Argentine agreement with Britain. The scale of the trade will be far smaller than was originally forecast; first intimations referred to an exchange of goods totalling \$500 million, but it now appears that the agreement provides only for £26.8 million worth of trade in each direction. This, however, is still a record for Soviet trading with any South American country.

It is irresistibly tempting to ask a number of questions. How is it that Russia is able to offer the Argentines types of equipment which it has not, apparently, been able to find for its allies the Chinese? Why is Argentina now given priority over the Asian countries to which Moscow has been holding out unfulfilled promises of capital equipment? Are the coal and oil listed on the Soviet side of the bargain to come from Russia itself, or from Poland and Rumania through Comecon channels? Will the Soviet credits hold good if Argentina fails to keep its deliveries up to schedule, as it has recently failed in its dealing with several other countries?

Both parties have zealously affirmed that there is no political meaning in the deal. Yet it is difficult to answer some of the above questions except in political terms. Only a few years ago, General Perón's regime was regularly anathematised by all good Marxists as an example of the purest fascism. Today it is treated with restraint and, in Moscow, even with favour. This looks like the totalitarian version of a gentlemen's agreement.

Letters to the Editor

The Reconstruction of Policy

SIR—It is obviously impossible in a letter to do justice to your leading article of June 27th concerning the reconstruction of the foreign policy of the Western Alliance. Two points made in your article, however, can and ought to be clarified for the benefit of a misinformed public opinion. One concerns the reasons for Sir Winston's insistence upon a top-level conference with the Russians, the other has to do with the military integration of Western Germany into the Atlantic Alliance.

There has been much speculation, especially on this side of the Atlantic, on the reasons for Sir Winston's insistence upon a top-level conference with the Soviet Union. All kinds of reasons have been adduced, from senility to party politics, and your article seems to be inclined toward the latter view. The simple truth is that in more than forty speeches made since the beginning of the Cold War, Sir Winston has stated his conviction that the only alternative to a third world war is a negotiated

settlement with the Soviet Union. Sir Winston may well be wrong in this conviction—even though I am inclined to doubt it—but in any case it is contrary to fact to attribute his recent diplomatic moves to failing judgment or domestic politics.

You present the problem of Germany in the form of a simple alternative between a Western Germany "on our side of the fence" with the Iron Curtain at the Elbe, and a Western Germany joining the Soviet Union with the Iron Curtain on the Rhine. It seems to me that, unfortunately, the situation is not quite as simple as that. We should take it as axiomatic that the political and military allegiance of a nation will follow its interests. Western Germany has two national interests overriding all others: unification and recovery of the eastern provinces. The strength of the Russian position lies in the ability, not matched by any similar ability on the western side, to grant the German demands whenever it seems advantageous. It must be the purpose of western diplomacy to weaken that Russian position. The military integra-

tion of Western Germany into the Atlantic Alliance does not serve that purpose; it does the exact opposite. For it postpones the fulfilment of German aspirations to an indefinite future and presents to the Germans the Western Alliance as the main stumbling block to the fulfilment of those demands. A rearmcd Western Germany will then be fully exposed to those "irresistible temptations" of "an unscrupulous Russian diplomacy" to which your article rightly refers, and it would be in an excellent position, regardless of treaty obligations and the preferences of the West, to take full advantage of them. The Russians will then negotiate, not with Great Britain, France and the United States, but with Western Germany and the western powers will then be reduced to pleading with Mr Adenauer, or his successor, as they must today with Mr Syngman Rhee.

The only alternative to such a disaster appears to be an attempt to negotiate the future of Germany with the Russians. Nobody can say that such an undertaking can succeed; yet nobody has a right to say that it is bound to fail as long as it has not been tried. If it succeeds, it will at once remove those "temptations" for Germany to strike a bargain with the Russians; for it already will have achieved one of its main objectives through a bargain between the Western Alliance and the Soviet Union. The fear that such a bargain, or even a bargain between Germany and the Soviet Union, would

necessarily advance the Iron Curtain to the Rhine appears to be bordering on the absurd. For the Russians, in contrast to many western observers, certainly must know that a Communist German Government is about the weakest link for a Russo-German understanding that can be imagined under present conditions. As regards Germany, the Russians are not interested in ideologies, but in the neutrality or friendship of a unified Germany. A remilitarised Western Germany, tenuously aligned with the West, will not frustrate the Russian aspirations. If the remilitarisation of Western Germany is not accompanied by, and subordinated to, diplomatic action, it will make the triumph of those Russian aspirations almost inevitable.

Sir Winston is no doubt older than many of his critics; he may also be wiser than most of them.—Yours faithfully, HANS J. MORGENTHAU
University of Chicago

More Academic than Free

SIR—Even to one who does not wholly share the reasoning implied in the Harvard Corporation's ruling about faculty members who appeal to the Fifth Amendment, your note seems unreasonably critical, and suggests that on this subject there may be a wide divergence of opinion between Englishmen and Americans who ordinarily see matters much alike.

You express disappointment that the Harvard authorities did not use this occasion "to discuss the vital case for allowing Communism to be taught and studied openly." If you mean that Communism as a doctrine and a social system should be given the closest study by fair-minded scholars, Harvard has done much more than discuss the notion; it has put it into practice in a Russian Research Centre whose work has been widely and generously applauded on both sides of the Atlantic, not least by your own reviewers. Or if you mean that Communists should be allowed to speak at Harvard, the answer is that they are. But if you mean that Harvard should permit a Communist propaganda operation by members of the University staff, I can only say that this seems a most astonishing suggestion.

I am also unable to understand your comment on Harvard's disapproval of appeal to the Fifth Amendment. You seem to feel that complete silence does a man less harm on his job and in the community than a qualified answer might do. Is there any evidence for this view, and is there not a good deal to the contrary? And it is surprising to find a journal as clear-headed as *The Economist* making use in this connection of the phrase "to turn informer." It is quite true that many men who once toyed with Communism now feel that they should not tell on others whose activities may have been equally trivial. I respect the honesty of their judgment, although I do not agree with them. But this reticence with regard to those whose activities were trivial is very different

from a general refusal to give relevant information about confirmed and dedicated secret Communists; to "inform" on such people may be unpleasant, but it seems, on balance, far less unpleasant than a refusal to inform.

Lying behind all these matters is the question whether one does or does not believe that a Communist Party member can meet the standards for membership in a free university. Most of us in the United States (though not the annoyingly independent Senator Taft) are persuaded that in the usual case the Party member is under the discipline of an organisation which is committed to deliberate falsehood as a tactic. Thus it seems a sound general rule that Communists are not fit to serve an institution whose motto is *Veritas*, though the rule may have exceptions. Does *The Economist* really disagree? — Yours faithfully, MCGEORGE BUNDY
Harvard University, Cambridge, Mass.

[As long as congressional investigations are conducted as many of them are at present, it seems justifiable for a witness to prefer complete silence to the qualified answer that may lead not only to charges of perjury or contempt of Congress, but also to publicity which mobilises prejudice against him and his family. *The Economist* believes that no one should be dismissed because of his political opinions unless it can be proved that they have led him to speak or act against the spirit of the institution he serves.—EDITOR.]

Revolt in Stalin Allee

SIR—"Berlin, June 17th" has a lasting significance: workers demonstrating against Moscow's protégés dealt a deadly blow at the theory that had associated Communism with the popular masses and anti-Communism with vested interest and privilege. It would be, however, dangerous to go beyond this in evaluating the events and their likely consequences. The Communists have in the past 36 years learned the fencing technique: "step back" when attacked, then "riposte." That was the way they treated in the past decades all the agitations against Soviet power, organised or non-organised, violent or non-violent, inside or outside Russia. Temporary concession was followed by lasting repression: that was the tactic they applied in their fight against the kulaks in Russia, against the Churches in Eastern Europe, and that is what they are likely to apply against their opponents in Eastern Germany.

It is perfectly true that the recent riots in the East German cities have demonstrated that the pro-Communist regime is not popular with the masses. This is, however, not a new revelation: it was clearly expressed some years back, by the decisive defeat of the Socialist Unity Party at the all-Berlin municipal elections. The novelty that has emerged after June 17 is that the Russian Army and the East German *Volkspolizei* are capable of dealing with an actively hostile population and—if at a price—can quell any revolt. And the Germans are inclined to be impressed

by a show of force: Hitler consolidated his power over 70 per cent non-Nazis by ruthlessly crushing his principal enemies in the purge that followed the "Roehm putsch" in 1934. In the past days German Communist leaders may have lost face with their people, yet the Russian armoured cars have certainly gained added prestige.

The West will, of course, make the best of the propaganda material offered by the events in Germany. It should, however, not relax the efforts for increased unity and strength. It would be most dangerous to underestimate the power of the Russians or to exaggerate the weakness of their bargaining position. They are unlikely to offer face-losing concessions on account of an abortive revolution they have easily managed to defeat.—Yours faithfully,

GEORGE A. FLORIS

Hever, Kent

Goodbye to Famine in India

SIR—Mr Nehru's claim that India was on the way to self-sufficiency in food should cause no surprise if one carefully examines the present trends of food production and procurement in the country. In your note of June 13th you have very rightly pointed out that "the major deficiencies in India's food production are in wheat and rice." Of the two, the greater deficiency is in rice. The larger part of India is rice-eating and it is shortage of rice that induces shortage of wheat, as both imported and internally procured wheat has to be diverted to the rice-eating areas. Therefore, the key to India's self-sufficiency in food also lies in increased production of rice. If you examine the latest figures of rice production you will find that there is "concrete evidence" for the Indian Prime Minister's claim of approaching self-sufficiency.

The production of rice, according to the 1952-53 estimates, has increased by 2.68 million tons. The Government's estimated requirement of rice for feeding deficit areas is about 900,000 tons. Internal procurement up to the end of March, 1953, exceeded the potential demand and was 1,200,000 tons. Thus, it would be possible to feed the country entirely out of domestic production of rice.

The over-all food situation in the country is also quite satisfactory. The Government has this year imported 2.1 million tons of foodgrains (not your figure of 2.5 million tons). It has a balance of 1.8 million tons of foodgrains from last year's imports. It thus had a stock of 3.9 million tons, while merchants in this country had also sufficient grain in their stocks. The Government expects that it will have a balance of 2.4 million tons in its stocks at the close of the year. Therefore it would not be necessary to import foodgrains for current consumption if there were not the need for building up stocks.—Yours faithfully, A. J. KIDWAI
India House, W.C.2

Books & Publications

Freedom versus Progress?

PROBLEMS OF CAPITAL FORMATION IN UNDERDEVELOPED COUNTRIES.

By Ragnar Nurkse.

Blackwell. 163 pages. 15s.

THIS is a closely-reasoned, topical and disquieting book. The starting-point of Professor Nurkse's argument is common to a great many analysts from the hard-faced to the starry-eyed: the "underdeveloped" countries are poor because they are poor. Malnutrition, ill-health and ignorance keeps productivity down; low productivity yields no margin of resources for that process of capital formation by which happier economies have prospered; lacking that margin, productivity remains low, perpetuating malnutrition, ill-health and ignorance; and so on indefinitely.

The circle, however, is less simple than it appears. Low current productivity may be compatible—on certain conditions—with a potential margin of resources; so far, so much better. But the provision of outside aid, designed to break the circle, may, unless these and other conditions are fulfilled, fail almost entirely of its effect; so far, so much worse. The potential margin for real investment consists in manpower now wasted, in that "concealed unemployment" endemic in underdeveloped economies where ten men scratch a living from land which would yield as much or more to the labours of five. Given the right equipment, the right, well-balanced, well-timed shift of the occupational pattern, this wasted labour can serve the needs of the future without prejudice to those of the present.

The conditions, however, are all important. Capital is not a simple entity; nor is the flow of consumer goods which it produces. It comes in discontinuous and disparate lumps: a rolling mill or a metallised road, a textile factory, a power station, a school. These may be, and often are, interdependent to a degree which makes it necessary to advance on a broad front or not at all. Each may need the big market that an underdeveloped, low-income economy fails to provide; each may need, on the other hand, the support of the others for production and, more generally, the skills, the habits, as it were the economic morals, of a developed economy. This complementary development cannot be imported *holus bolus* from abroad. Foreign aid, in money or in kind, can be applied at key points, but it will largely run to waste unless balanced by a type of capital formation which is necessarily indigenous. This involves willingness both to change occupational patterns and to

save—to acquiesce in standards rising less rapidly than productivity. Neither comes easily to an uninstructed democracy. Professor Nurkse makes, indeed, the novel and important point that the backward peoples' growing awareness of the higher standards enjoyed elsewhere makes this essential deferment of the fruits of progress far harder to accept than it was to the West at a similar stage of development. "It is much easier," he says, "to adopt superior consumption habits than improved production methods."

With the scales thus heavily weighted against thrift, progress or even—given the Malthusian threat—the avoidance of actual disaster may prove incompatible with the individual's freedom to save or spend as he pleases. The indispensable growth of domestic capital may demand compulsion—collective saving through taxation. This is a depressing conclusion for democrats. Professor Nurkse sees no incompatibility between state-enforced saving and private investment, and it is on the growth of the latter and on the "capital consciousness" which it diffuses that he rests his hopes. But if the government enforcing the savings is popularly elected, the overwhelming likelihood is that what it collects will not be saved but collectively spent and overspent; and moreover that the manner of enforcement, according to the canons of equity as understood by the voting masses, will be such as to remove any incentive to the speedy growth of private investment and "capital consciousness." Not only consumers' freedom, but political democracy itself, appears dubiously reconcilable with the progress of underdeveloped areas. The best one can hope for is that paternalism, whether native or metropolitan, may becomingly wear the mask of democracy until such time as democracy becomes economically responsible. Looking much nearer home than the underdeveloped areas, one may judge that time to be remote.

The New Paradise?

DAYBREAK IN CHINA.

By Basil Davidson.

Jonathan Cape. 191 pages. 10s. 6d.

MR DAVIDSON visited China last September, as one of a party of thirty sponsored by the Britain-China Friendship Association. It was an interesting moment to be in China. The Communist military government in Shanghai had just seized all the property of two British firms. Chou En-lai was returning from Moscow without the economic aid he had gone to seek,

leaving several of his ministers to continue the haggling for another six months. Dr Zhukov-Verezhnikov's scientific commission was in Peking to sign the much-publicised report asserting, on the basis of second-hand evidence, that germ warfare had been used in Korea and north China. The "Asian Peace Congress," due to open in Peking on September 26th, was inexplicably delayed. Unemployment was proving a serious problem in many parts of China, and the beginnings of a scheme to register the unemployed were being contemplated. All over the country judges were being purged, and in provincial cities "anti-social elements" were being executed on the spot in batches after trials "conducted" by mobs of thousands of people. The Peking government was issuing orders extending the system of "surveillance correspondents" through which it "supervises the broad masses," and tightening its control over all books and periodicals published in China.

All of this Mr Davidson either chose to ignore, or did not notice. It was all reported by the Chinese Communist press and radio at the time, but, of course, he could no more read the press than he could talk to the Chinese peasants without the aid of the official interpreters who courteously conducted his party as it whisked from Peking to Shanghai and Canton and back. He met nobody inclined to utter the least criticism of the Peking government; he was assured that writers could publish what they pleased; he was happy to record that, although Chinese workers are now forbidden to strike, they do not need to. The spectacle of political prisoners being used to build China's well-advertised dams and reservoirs seemed wholly satisfactory; Mr Davidson contrives a sneer at the phrase "slave labour." Nor was he at all disturbed when, standing below Mao Tse-tung at a Peking parade, he saw on the one hand doves of "peace" and on the other tanks, guns and jet warplanes.

There is a school of thought in this country that at one time would admit no imperfection in Russia, but is now disillusioned. Has China, in turn, become the object of this craving for belief in an earthly paradise? At times, Mr Davidson's faith seems to weaken. He writes: "Real life, the sceptic may object, is different. Real life consists of light and shade, good things and bad things." But this objection is hastily overruled, and the result is a book which contains nothing that the Peking official news agency could not have issued.

Mr Davidson's reports on other countries have contained "good things and bad things," and have therefore been effective. But in China he has failed. Even if considered as propaganda, the book will not do; the careful omissions and silences discredit the passages that are, no doubt, perfectly true. There is clearly much to be said for, as well as against, Communist China; but Mr Davidson has not served his cause well.

Town Planning Revised

MODERN TOWN AND COUNTRY PLANNING.

By James W. R. Adams.
Churchill. 234 pages. 42s.

THIS book, by the County Planning Officer for Kent, is based on an earlier work by the author's father, Mr Thomas Adams, which was published in 1932 under the title "Recent Advances in Town Planning." Unfortunately it is not made clear how much of the present work follows Adams *père* and how much is a new contribution by Adams *filis*. It gives a judicious and eminently fair account of developments in the law and practice of town and country planning since the turn of the century, mainly in Great Britain but with some reference to conditions in the United States and other countries. It is also nicely illustrated.

However, either out of filial piety or else from innate caution, the author has fought shy of much discussion of the important developments in town planning in the last ten years. Recent legislation is briefly noted, but the important examples—for instance, in the chapters on "Regional Plans" and "Advisory Town Plans"—are drawn from an earlier period. The author pleads in his preface that it is too early to judge the relative value of recent developments, but the result is that some chapters seem curiously outdated for a book of this title.

Save yourself...

Almost certainly, you will be able to save yourself a great deal of time and trouble if you apply first to us for books on economics and on the political and social sciences. We make no claim to infallibility. Yet, inevitably, a bookshop reflects the interests of its clients. Our clients include Universities, Government Departments, libraries, banks, learned bodies—and learned men. Their discriminating custom has enabled us to build up a stock, and a service, that we are told is unrivalled in its field.

Mail orders receive the personal attention of the Manager.

The Economists' Bookshop

11-12 Clements Inn Passage,
Aldwych, London, W.C.2.

This is a pity, for a competent evaluation of "modern" town planning is badly needed. Its new and intricate machine, though pushed from without by strong enthusiasts, yet seems to be stuck somewhat in the mud. It is a pity the author has nothing to say about why it got there and how to pull it out.

Communal Living

SOCIAL INSECTS.

By O. W. Richards.
Macdonald. 219 pages. 15s.

FEW people seem to be attracted to insects as individuals, for they lack distinctive personalities; but their behaviour in communities can be fascinating. The scientific study of insect societies is a relatively new branch of natural history and its results are only just beginning to reach a wider public. In his book, Mr Richards describes in detail the day-to-day habits of the four principal groups of insects that live such a communal life: wasps, bees, ants and termites or the white ants of the tropics. In each of these communities, a queen is attended by workers and sometimes also by a separate caste of soldiers. While she lays the eggs that are vital to the continuance of the community, the workers feed her and the freshly hatched young. They build the nest, and when it gets too hot they cool it with their wings and carry in drops of water.

The remarkable feature about these societies is the high degree of co-operation between their inhabitants. A worker bee coming back to the hive can describe, through formal dances, the place where she found food, its distance from the hive and the direction in which it lies. The worker ants are not content merely to forage for food; many of them are farmers. It is quite usual for them to tend herds of aphids for the sticky fluid that the aphids secrete, but certain species of ant grow fungus in specially built chambers in the nest. The soil for these fungus gardens is made up of chewed leaves, and when a young queen flies off to found a nest, she carries a pellet of the fungus away with her to start a fresh garden. Other ants use some of their number as living stores, filling their crops until these "repletes" grow to a remarkable size. In time of scarcity, some of this reserve is given up, drop by drop, as the workers come for it. The blood red ant does no work, but invades the nest of another colony, kills its queen and enslaves its workers. As the workers cannot reproduce, the invaders make sure of successive generations of slaves by occasionally raiding other nests and carrying off grubs and cocoons, which are brought back to the first nest to be reared there as a second generation of slaves. When the worker termites go out on a daylight foray, they are flanked on either side by a special armed caste of termites.

The way in which these insect societies seem to parody certain human institutions makes it difficult to avoid the pitfall of attributing to them instincts and emotions that they cannot possess.

THE ECONOMIST, JULY 11, 1953

Mr Richards's scientific training helps him to preserve an attitude of scrupulous detachment that adds greatly to the satisfaction of reading his book; he does not attribute to the insects any motives that he cannot prove to exist. The picture he builds up is a remarkable one, of highly developed and in many cases long-lived societies in which the welfare of the individual is totally subordinated to that of the group. One of the most extraordinary features of these communities, and one for which a satisfactory explanation has not yet been discovered, is how the apparently identical eggs laid by the queens yet produce clearly defined adult castes—queens, males, workers and soldiers—balanced according to the needs of the community at any one time. The amount of food given to the grubs by the workers is an explanation that does not fit all cases. All the fascination of the flea circus, stemming from the wonder that creatures so small can show so much initiative, is to be found in Mr Richards's study.

Unexciting History

MODERN GERMAN HISTORY.

By Ralph Flenley.
Dent. 394 pages. 30s.

PROFESSOR FLENLEY'S book is both too modest and too ambitious. It is too modest because the approach to German history which he commends, embracing the history of ideas, of economics and society as well as politics, requires a more radical revision than can be satisfactorily developed in a single volume of four hundred pages. It is too ambitious because the author's achievement, even within these limits, is not equal to his design.

It is difficult to make modern German history dull; however unattractive the actors and the theme, the plot is too full of surprises. Yet Mr Flenley rarely escapes the tedium of the text-book. His virtues as an historian are of a workaday order: lucidity, clarity of arrangement, wide reading. What he lacks are those exciting flashes of interpretation which distinguish Mr A. J. P. Taylor's often perverse, yet brilliant "Course of German History."

A more fundamental criticism could apply to most of what has been written about Germany by those trained in the same liberal tradition as Mr Flenley. Preoccupied with bringing out the good as well as the bad in German history, they pay too much attention to that "other" Germany which has been persistently defeated at every turn of events in the past century. They underestimate or blur the alien, hostile character of the assumptions and influences that have determined German development. What is missing from Mr Flenley's placid and well-ordered narrative is precisely that restless, dynamic quality in their history that has made the Germans so unstable as a nation and so disturbing as neighbours. Without that, the logic of a development which culminated in Hitler must escape the historian and German history remain opaque.

THE ECONOMIST, JULY 11, 1953

THIS IS THE SYMBOL



OF THE
BROWN & POLSON
GROUP OF COMPANIES

Makers of 'Patent' Cornflour and
Industrial Starch Products

A CONSULTATIVE SERVICE

The Brown & Polson Industrial Division manufactures 200,000 tons of industrial starch products per year—400 different products bought by more than 80 different industries. In addition to this large-scale, versatile, and dependable supply service the group also offers a consultative service, backed by unrivalled experience and freely available to all who are interested in the industrial uses of starch products.

The Industrial Division of

Brown & Polson

THE HOUSEHOLD NAME OF A SERVICE TO INDUSTRY

WELLINGTON HOUSE, 125/130 STRAND LONDON, W.C.2

THE UNITED
STEEL
COMPANIES LTD

THE LARGEST
STEEL PRODUCERS IN THE
BRITISH COMMONWEALTH

The United Steel company is by no means tied to the fortunes of a single trade. The company's markets are very widely and evenly spread, because of the diverse nature of the products of the group.

This independence of particular markets provides a good insurance when demand varies between products or between industries.

Furthermore, the distribution of the United Steel company's markets shows a sound balance between industries making capital goods and those making consumer goods.

The wide range of products is such that customers find it easy and convenient to deal with the United Steel company for all their requirements.

SOME FIGURES

The total sales during the year ending September 1952 were £67,000,000 supplying these industries:

Railways and Rolling Stock	11.5%
Shipbuilding and Marine Engineering	8.9%
Constructional Engineering and Building	8.6%
Drop Forgings and Laminated Springs	6.8%
Motors, Cycles and Aircraft	4.9%
General Engineering	13.1%
Mining and Quarrying	6.6%
Miscellaneous	10.2%
For further conversion to finished products	19.0%
Direct Export	10.4%

APPLEBY-FRODINGHAM STEEL COMPANY
SAMUEL FOX & CO. LTD.
STEEL PEECH & TOZER
UNITED STRIP & BAR MILLS
WORKINGTON IRON & STEEL COMPANY
UNITED COKE & CHEMICALS COMPANY LIMITED
UNITED STEEL STRUCTURAL CO. LTD.
DISTINGTON ENGINEERING CO. LTD.
YORKSHIRE ENGINE CO. LTD.

THE UNITED STEEL COMPANIES LTD.
SHEFFIELD

NEW BRITISH ENGINEERING TRIUMPH THREEFOLD AID TO NATIONAL ECONOMY

First Automatic Press to produce Timber Board in Continuous Strip

THE PERFECTION OF THE BARTREV PRESS after 14 years' research means that a new industry has been born; for the Bartrev Press turns the unused wood that accumulates in huge quantities throughout the Timber Industry into a vast store of treasure. It makes possible for the first time the continuous production of board at low cost and of uniform quality.

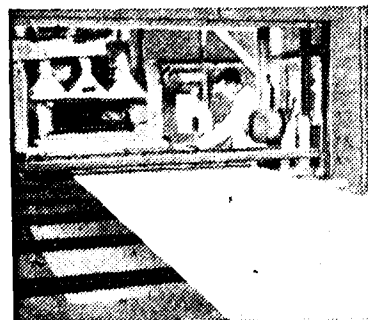
Because of the scope that exists for it in timber-growing areas at home and abroad, the Bartrev Press will

1. Earn dollars and other currencies by sales of the machine itself.
2. Lower costs in building and other industries throughout the world by the supply of this new timber board at a greatly reduced price.
3. Save foreign currencies by the reduction of imports of board. Britain's own production of 'Bartrev' will do much to fill the gap between her requirements and the present production of her home industry.

BIRTH OF A NEW INDUSTRY

With 60% of all felled timber regularly going to waste, Bartrev machines will be in demand in every timber-producing area and wherever building board is required. The process will become

the basis of a new world-wide industry and the speed and economy of continuous automatic production must introduce an entirely new element into the existing board industry.

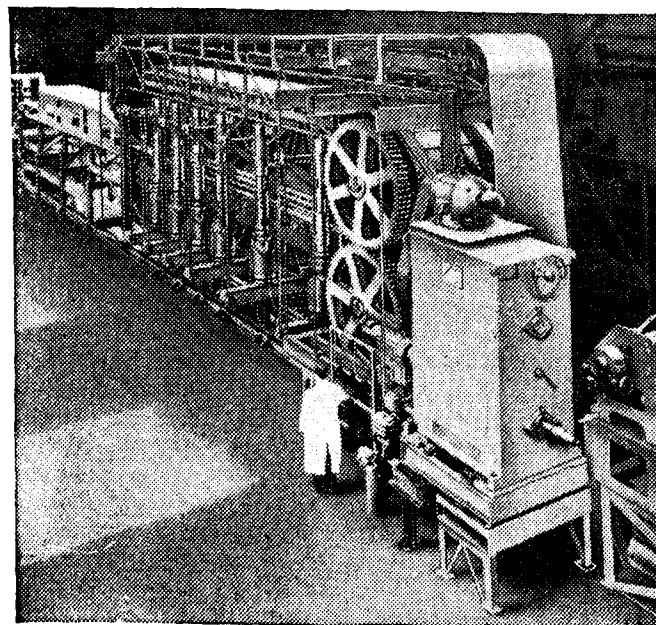


'Bartrev' emerging in a continuous strip from the press

The Bartrev invention is as revolutionary in the timber industry as was the invention of continuous milling for the steel, paper and aluminium industries.

'BARTREV' OPENS UP REMARKABLE PROSPECTS

The supplies of accessible timber are diminishing; the demand for timber is rapidly increasing. The Bartrev Press meets this demand by converting a hitherto neglected raw material into fine quality timber-board; and this raw material is unique in that it is always accumulating in quantities that preclude any great increase in cost. The owner of a Bartrev Press almost completely avoids the problem of the rising price of raw materials.



The Bartrev Continuous Press

The effective production area required for the Bartrev Press and ancillary plant is only 6,000 square feet. A single Press, producing 1' board at 14 feet a minute, turns out 16,000 tons of 'Bartrev' a year.

USES OF 'BARTREV'

Among the industries to which 'Bartrev' will bring particular benefit are Building, Furniture, Ship Building and Coach and Body Building. To all these industries and to the man in the street, 'Bartrev' means a first class building material at a far lower cost.

FIRST COMMERCIAL BARTREV PRESS IN OPERATION

A full scale commercial Bartrev Plant is in operation in Essex. Orders for the Bartrev Press can now be accepted and delivery arranged from December 1953. Each Press will be delivered as a complete package unit and specifications for all necessary ancillary plant will be provided. Installation will be supervised by Bartrev Engineers and Specialists.

VERE ENGINEERING COMPANY LIMITED
3 Vere Street, London, W.1.

PATENTS. The Bartrev Process and Automatic Press have been covered by Patents and Patent Applications throughout the world.

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.

Going Slow on Taft-Hartley

Washington, D.C.

COMMITTEES of the Senate and the House of Representatives held lengthy hearings this year at which spokesmen for labour and management expressed themselves at length on the subject of possible changes in the Taft-Hartley Act. All that was missing from these hearings was a spokesman for the Administration. Mr Durkin, the Democratic trade unionist who is Mr Eisenhower's Secretary of Labour, did not appear before either committee; reports that he and Mr Weeks, the Secretary of Commerce, were at odds on the issue received implied support from the President himself at a press conference, at which he said that his officials were working hard to arrive at an agreed Administration position on amending the Act. Since then, there have been meetings at the White House in which the chairmen of the two interested congressional committees, Mr Durkin, Mr Weeks and Senator Taft all took part. On July 1st the *New York Times* reported that these talks had "been suspended, at least temporarily," because of failure to reach agreement, and "informed opinion is that the chances of success this year are remote."

Superficially, in the six stormy years of its existence the Act has played a role in the United States not unlike that of the Trade Disputes Act of 1927 in British politics. Both measures followed unusual outbreaks of labour unrest: the General Strike in Britain, and in the United States the embattled year of 1946, which holds the record for the number of man-days lost through strikes. Both were made possible by public reaction to these outbreaks. Both had the incidental effect of involving the trade unions more deeply in politics.

Yet, in the United States, despite the initial outcry over the "slave labour act," and despite the fact that repeal of the law is far and away the most popular theme at trade union gatherings of all kinds and sizes, the Taft-Hartley Act has not been seriously amended, let alone repealed, and American labour is still far less committed to political action than was British labour in 1927. One reason for this is the growing recognition that the Act is a very intricate statute, the full effects of which cannot be measured by the still limited experience which the country has had of it.

This intricacy has made it difficult for labour leaders to carry on a comprehensible and realistic campaign against the law. Because to criticise the various clauses one by one, in all their complex ramifications, would almost amount to an exercise by lawyers for the benefit of lawyers, trade union officials have resorted to the general and hyperbolic condemnations by now so wearily familiar. These seem to have left the rank and file unmoved. Wage-earners have

never been so prosperous, and their unions have not suffered noticeably under the Taft-Hartley Act.

It has been claimed that the organisation of those workers still outside the trade unions has been virtually halted by the Act. Singled out for attack in this connection are the "free speech" provisions, which allow employers to bring their case to their employees "if such expression contains no threat of reprisal or force or promise of benefit." Labour critics say that these safeguards against bribery and intimidation are inadequate. The Taft-Hartley Act's legalisation in injunctions as a means of ending major strikes, and its ban on the closed shop are also blamed for what everyone admits to be the recent stagnation in the growth of union membership. Most important, especially in the light of current Republican desires to give the states more authority in labour matters, is the provision in the Taft-Hartley Act allowing them to write labour legislation that is more restrictive of the unions than the federal statute in such crucial matters as union security. (Where state laws are more lenient, federal law prevails.) Since one of the major areas still vigorously resisting trade union organisation is the South, and since, southern state legislatures tend to be dominated by conservatives, it is easy to see why this worries union leaders.

Another complaint from labour has been that the Taft-Hartley Act's prohibition of the closed shop, and the delays which are imposed upon certification of a union shop (one in which all employees must join the union after being hired), have hurt the unions in industries such as the building trades, where casual labour is prevalent. Often, however, the law is broken by tacit agreement, employers being more willing to put up with the closed shop than to cause an upheaval, costly in days of prosperity, by challenging it.

★

There is very general agreement that the Act has not brought the country any nearer to a solution of the basic problem which was agitating Congress when it was passed—the question of what to do about strikes which "imperil the national health or safety," by paralysing key industries. Republicans claim that this is because the law was administered until last January by its sworn enemies. The favourite piece of evidence for this Republican view is Mr Truman's failure to invoke the Taft-Hartley Act in the big steel strike of last year. But the law was used on ten different occasions under Mr Truman, and the results indicate that its "cooling-off period," during which the parties to a dispute are forbidden to stop work and

are required to try to reach a settlement, often serves only to embitter the trade unions, with their traditional hatred of injunctions. Statistics suggest that the Taft-Hartley Act has not prevented strikes. Some of the years since 1947 have been relatively peaceful, but 1952 was second only to 1946 in the number of man-days lost by strikes.

Recognition that the Act has not succeeded in solving this problem has led representatives of management to argue that it should be amended to prohibit industry-wide or nation-wide collective bargaining, as a means of breaking "the monopolistic power of labour unions." Fear that some such additional restrictions might be enacted by a Congress with so strong a preponderance of Republicans and conservative southern Democrats has led trade union leaders to feel, privately at least, that perhaps amendment of the Act may prove dangerous. Once a Bill to change it, however mild, reaches the floor of either chamber, so the argument goes, the way will be opened for seriously anti-labour amendments.

This argument has its influence upon the Administration. Responsible Republican leaders do not want to allow the party's right wing to pin an anti-labour label on it; particularly not just before the congressional elections of 1954. What they would like to do is to produce a Bill incorporating several relatively non-controversial changes, most of them favourable to labour, or at least neutral. For example, workers on strike would be permitted to vote in elections held to determine which union should be entitled to bargain with the management, even though such workers have been replaced. The non-Communist oath now required of trade union officials would either be applied to employers or, if that smacks too much of *reductio ad absurdum*, be abolished. In that case, some new board might be created to determine when a union has fallen under Communist domination. Some kinds of secondary boycott might also be permitted.

But it is difficult to imagine the success of so delicate a tactical manoeuvre, even if Mr Durkin were to abandon the more substantial revisions in favour of labour for which he is reported to be fighting. Many Republicans in Congress will be very reluctant to accept such self-restraint as this would demand. Labour leaders and Fair Deal Democrats, on the other hand, would be so wary of the Greeks bearing gifts that the political benefits which the manoeuvre was designed to produce might never materialise.

American Notes

Knowland Reverts to Type

SENATOR KNOWLAND, for long one of the most unpromising friends of right-wing nationalism in the Far East, and now acting leader of the Republican party in the Senate, had been expected to be extremely difficult to convince of the necessity for making concessions to the

Communists in order to achieve a truce in Korea. But when, early in June, President Syngman Rhee first displayed the rigidity of his opposition to the armistice terms, Mr Knowland, to everyone's surprise and most people's relief, warned Mr Rhee that anything that endangered the truce would be detrimental to the people of Korea and must not be allowed. Within ten days Mr Rhee had endangered the truce most seriously by his secret release of 27,000 North Korean prisoners, yet last week Mr Knowland was excusing Mr Rhee by blaming not only the Truman Administration but the Eisenhower Administration for not consulting him enough and for having treated him as a "colonial subject" instead of as a "partner" who was a "great patriot." Mr Knowland added that he did not think that Mr Rhee had done anything that would "warrant anyone to say that we can't trust him."

That view is hardly held by the American soldiers fighting in Korea or indeed by many Americans anywhere. Mr Knowland explains his reversion to his former attitude by his revived hope of getting more favourable armistice terms from the Communists, including a united Korea, as a result of the pressures arising from the anti-Soviet stirrings behind the Iron Curtain. Many people share these hopes, but have not sufficient faith in them—or sufficient interest in the future of Korea—to allow the much more concrete prospect of peace to be deferred any longer. Senator Wiley was expressing the opinion of nearly all Americans, and unofficially that of the Administration as well, when he condemned, with unusual sharpness, the "unfortunate extremism, obstinacy and arbitrariness" of Mr Rhee, which was jeopardising the lives of over 300,000 fighting men from the United States and other countries, and warned him that time was running out.

President Eisenhower himself, while hoping that Korea will eventually be reunited by peaceful means, is refusing to discuss the actual status of the negotiations between his special envoy, Mr Robertson, and President Rhee. Mr Eisenhower has, however, already written twice to Mr Rhee deprecating his intransigence. But even if the Administration were prepared to give Mr Rhee what he wants—a guarantee that hostilities would be resumed in 90 days if progress had not been made in the negotiations for a peace treaty uniting Korea—there is no chance that such a guarantee, even if it had Mr Knowland's support, would be given the necessary approval by the Senate. On the other hand, it is almost as difficult to imagine that Congress would approve the extreme alternative, that American troops should force the South Koreans to accept and keep the armistice terms. Mr Robertson's patient determination to find an acceptable compromise is not surprising.

Neither Aid—

THE majority for this year's foreign aid Bill was as bipartisan in the Senate as it had been in the House, but rather more generous, for the Senate has authorised an expenditure of \$5.3 billion, compared with the House's \$4.9 billion. But this was more promise than performance, for there is every expectation that actual appropriations, even in the Senate, will be substantially less. With the American farmer in mind, the Senate proposed a currency

conversion scheme which would enable agricultural surpluses to be exchanged for armaments produced abroad, and paid for with military assistance dollars. The Senate allowed the President to transfer up to 15 per cent, compared with 10 per cent in the House Bill, of the funds from one area or function to another, from military to economic aid, for example, or from the Far East to Europe. The Senate also left it to the President's discretion to decide whether \$1 billion, half of Europe's assistance, should be withheld until the European defence treaties had been ratified, while the House made it mandatory that this should be done.

But on one question, and that a fundamental one, the Senate was more severe than the House. It insisted that the Mutual Security Agency should be closed down by the end of June, 1955, and that all spending for economic aid should finish by June 30, 1956, with long-term military deliveries to be allowed for another year. The House would not close down the agency until 1956, while the Administration had asked for authority to let contracts until 1958 and continue deliveries until 1961. In Senator Taft's view little, if any, money will in fact be provided by Congress for foreign aid even next year, and this is borne out by the fact that the early termination date was proposed not by a Republican die-hard, but by Senator Mansfield, a Democrat who has been an ardent advocate of foreign aid; and Senator George, another internationally-minded Democrat, has said he will never vote for the programme again.

Mr George is also a great believer in economy, and the sharp comparison between the amounts being given away to other countries and taken away from taxpayers in the United States is one reason why, as things stand now, there seems little future for foreign aid unless some radically new approach is tried. Another reason is the sharp disappointment which most Americans, rightly or wrongly, feel at how little there is to show for the billions of dollars they have poured out, and at the lack of desire to do better which they notice, especially in their opinion in Europe, and which explains the congressional pressure for implementation of the European Defence Community.

THE Senate and House conferees should not have any difficulty in reaching a compromise on the foreign aid Bill, but there will almost certainly be trouble over the one renewing the Reciprocal Trade Agreements Act for a year. For as the price of getting Representative Simpson to drop his restrictive amendments to the Act, the President had to agree to the inclusion in the House version of a clause adding a seventh member to the supposedly bipartisan Tariff Commission. It was taken for granted, although not necessarily correctly, that this new member would be not only a Republican, but also a protectionist, and neither party in the Senate was prepared to support a change which would give the impression that the United States did not want to encourage freer trade. Some people may, however, get this impression from another Senate amendment which would allow the President to take immediate action to restrict imports of farm commodities in an emergency situation;

it was the American wool growers whom the sponsors had particularly in mind as needing such help.

It is the Tariff Commission which recommends increases in duties to the President when American businessmen complain that they are being injured by foreign competition as a result of tariff concessions granted under the Trade Agreements Act. And for some time people abroad who wish to prepare for the ending of dollar aid by earning more dollars, by finding, as Senator Mansfield said "a solution that is mutual in reality, not just in name," will probably get most of their indications of what to expect from the Tariff Commission. It is, however, possible that Senator Knowland's efforts to get the Customs Simplification Bill through Congress this month will succeed; this legislation would ease import regulations and facilitate assessments of duty. But it is understood that no fresh negotiations are to be conducted under the renewed Trade Agreements Act, at least until the new Commission on Foreign Economic Policy which the Act sets up has reported, probably not long before the Act itself expires again next year. The commission is to have ten Republican and seven Democratic members, appointed by the President, the Speaker of the House and the President of the Senate.

Choking Off Surpluses

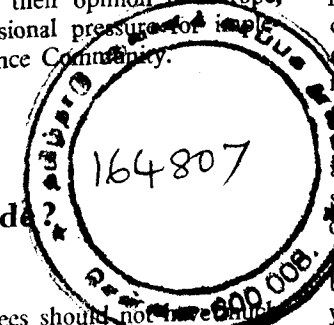
WITH the probable supply of wheat the largest in the nation's history and nearly 50 per cent greater than a hypothetical "normal," Mr Benson, the Secretary of Agriculture, has had no choice, under the law, but to announce that wheat farmers must decide whether they want to restrict their production next year through marketing quotas, or accept a government support price of about \$1.25 a bushel, compared with this year's \$2.21. All except the smallest farmers, who are exempt from restriction, will have a vote. Wheat is politically easier to cut back than

cotton, another candidate for restriction, although the rate at which cotton surpluses are piling up may be slowed as the result of the smaller acreage which has been planted this year. The western states, where cotton planting recently has been growing by leaps and bounds, will fight hard against a formula for restriction which would make the Old South once more the land of cotton.

Wheat farmers, however, are almost certain to accept restriction as the price of continued high government guarantees; whatever sympathy they may once have felt with the Administration's laudable aim of reducing the farmer's dependence on Washington and discouraging overproduction of staple crops by lower support prices has evaporated as market prices continue their two-year fall.



Nor Trade?



An exception, however, is the cottonseed industry which has welcomed a cut in the support price in the hope of regaining part of the market lost to other vegetable oils.

Possibly, if the present drought in six south-western states should spread—Arkansas has just been added to the “disaster states” shown on the map—marketing quotas for wheat might not be necessary and those for other farm products which now seem inevitable might be avoided. But Mr Benson is not likely to be rescued from his embarrassments by calamity, although he has had to come to the help of the cattlemen in the south-west with cheap feed, low-interest government loans, lower freight rates, and an increased purchasing programme for beef. He may, however, be able to point out that the return of Dust Bowl conditions is due, in part, to the over-grazing and the spread of wheat and cotton to marginal land which high support prices have encouraged.

Mr Benson expects to have his proposals for a new farm price law ready for the next session of Congress, though it may tax even his hardihood to propose taking away the farmer's crutch just when he feels he needs it most, and in an election year as well. Meanwhile, the Administration can only nibble at a mountain of surpluses, now valued at over \$3 billion and certain to increase in coming months, by seeing that wheat continues to move abroad under the international wheat agreement, even though this has not yet been ratified formally by the Senate. Congress even seems disinclined to give the President the power he has asked to use some of these surpluses, before they go bad, to relieve famine abroad; this would be, it is argued, too great a grant of power to give even a President who is not likely to abuse it.

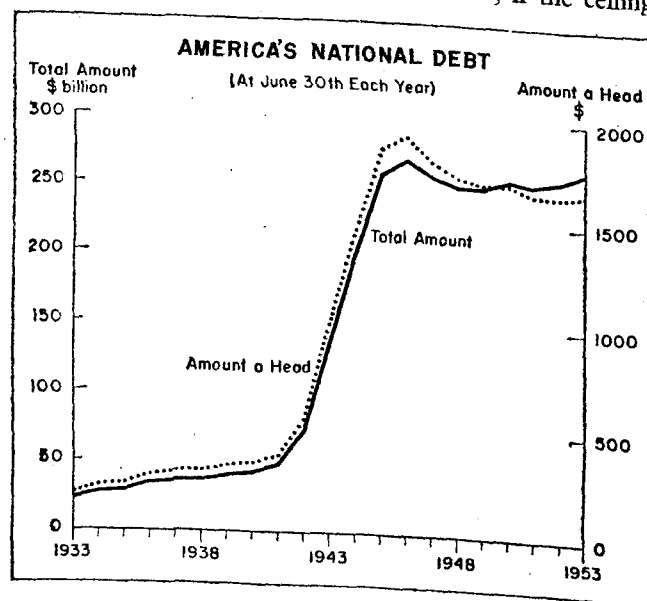
The Debt's the Question

THE government has lost no time in staking its claim to the additional \$6 billion which the banks have available for new loans as the result of the Federal Reserve Board's lowering of reserve requirements. On Monday the Treasury put on the market its largest new issue since 1945, \$5.5 billion of eight-month tax anticipation certificates. Unlike the more usual tax anticipation bills, these certificates have a fixed rate of interest, in this case 2½ per cent, which was apparently just to the taste of the market at the moment. Much as the lowering of reserve requirements is an admission by the central bank that credit has been tightened enough, so this new issue is an admission by the Treasury that conditions are not yet suitable for any more of the long-term government borrowing to which the new Administration is also devoted in principle.

The certificates are intended for investors, both corporations and individuals, who are storing up funds against the spring tax-paying season; the certificates mature on March 22nd and can be handed over to the taxation authorities instead of cash. A large proportion will probably be taken up by the banks, acting really as underwriters, with the idea of selling the certificates gradually to clients as they are needed. This issue is big enough to allow the Treasury to give the market a holiday until the end of the summer, but by October the government will be coming back again for at least \$3.5 billion, and perhaps more. For only about 30 per cent of the annual tax receipts come in

during the second half of the calendar year, while government spending goes on as usual. Unless the last fiscal year closed with a substantial surplus (the deficit on this June 30th was \$9.4 billion), there is no alternative to borrowing.

This year there is a further problem, for on June 30th the government debt was only \$9 billion below the legal limit of \$275 billion—and \$9 billion is just about what will have to be borrowed before the end of the year. By dipping into its cash balance of between \$4 and \$5 billion, the Treasury may just manage not to bump its head on the debt ceiling. But it will be a very near thing; how near must be decided in the next few weeks for, if the ceiling



is to be raised, Congress will have to do it before it adjourns in, it is hoped, less than a month's time. Congress will not want to undertake this operation, any more than the Administration will want to ask for it. It is quite embarrassing enough that a party which is pledged to economy and solvency has already had to insist on a tax increase and to budget for a deficit, without it having to confess publicly that it needs permission to incur even more debt.

Good Government in New York

THE reforms which Governor Dewey and his Republican legislature have forced on traditionally Democratic, and traditionally corrupt, New York City are beginning to take shape. Mr Dewey and Governor Driscoll of New Jersey have signed identical Bills to clean up the crime-ridden waterfront which the two states share. Some provisions, such as the replacement of the notoriously abused “shape-up” by state-run employment offices, the registration of pier superintendents, and the banishment of convicted criminals from the docks, do not take effect until December, while a permanent joint commission to supervise the waterfront must await the permission of Congress. But after September 1st the longshoremen's union, which in any case is now ready to place its reform in the hands of an administrator appointed by the American Federation



HEAD OFFICE:
55 Wall Street
New York

67 Branches
in Greater New York
57 Branches Overseas

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

The National City Bank of New York

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

Statement of Condition as of June 30, 1953

ASSETS	
Cash, Gold and Due from Banks	\$1,496,745,018
United States Government Obligations	1,335,996,807
Obligations of Other Federal Agencies	31,981,981
State and Municipal Securities	460,401,598
Other Securities	90,321,310
Loans and Discounts	2,276,555,200
Real Estate Loans and Securities	368,251
Customers' Liability for Acceptances	17,270,391
Stock in Federal Reserve Bank	9,600,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	31,290,191
Other Assets	5,137,654
Total	\$5,762,668,401
LIABILITIES	
Deposits	\$5,267,520,007
Liability on Acceptances and Bills	\$34,579,041
Less: Own Acceptances in Portfolio	14,219,075
Due to Foreign Central Banks (in Foreign Currencies)	20,359,966
Items in Transit with Branches	17,160,400
Reserves for:	552,400
Unearned Discount and Other Unearned Income	22,519,287
Interest, Taxes, Other Accrued Expenses, etc.	41,333,064
Dividend	3,450,000
Capital (7,500,000 Shares—\$20 Par)	\$150,000,000
Surplus	170,000,000
Undivided Profits	69,773,277
Total	\$5,762,668,401

Figures of Overseas Branches are as of June 25.
\$394,259,691 of United States Government Obligations and \$19,351,200 of other assets are deposited to secure \$267,602,946 of Public and Trust Deposits and for other purposes required or permitted by law. (Member Federal Deposit Insurance Corporation)

Chairman of the Board: HOWARD C. SHEPHERD
President: JAMES S. ROCKEFELLER
Affiliate of The National City Bank of New York for separate administration of trust functions.
CITY BANK FARMERS TRUST COMPANY. Head Office: 22 William Street, New York.
Capital Funds \$31,638,507

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Head Office: Pine Street corner of Nassau, New York

London Branches: 6 Lombard Street, E.C.3 . 46 Berkeley Square, W.1

STATEMENT OF CONDITION, JUNE 30, 1953

RESOURCES		LIABILITIES	
Cash and Due from Banks	\$1,422,425,616.17	Deposits	\$4,947,735,456.63
U.S. Government Obligations	1,010,167,079.31	Foreign Funds Borrowed	24,503,460.00
State and Municipal Securities	295,853,970.36	Reserves—Taxes and Expenses	26,682,918.02
Other Securities	222,633,767.97	Other Liabilities	24,163,423.81
Mortgages	38,997,751.84	Acceptances Outstanding	30,967,034.40
Loans	2,362,752,559.36	Less: In Portfolio	3,312,834.00
Accrued Interest Receivable	12,814,248.04	Capital Funds:	
Customers' Acceptance Liability	27,205,113.83	Capital Stock	\$111,000,000.00
Banking Houses	31,886,351.17	(7,400,000 Shares—\$15 Par)	
Other Assets	6,376,403.54	Surplus	219,000,000.00
		Undivided Profits	50,373,402.73
			380,373,402.73
	\$5,431,112,861.59		\$5,431,112,861.59

United States Government and other securities carried at \$415,708,366.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Overseas Branches: London . Paris . Frankfurt/Main . Tokyo . Osaka . Havana . Marianao . San Juan, P.R.
Santurce . Panama . Colon . David . Cristobal . Balboa

Offices of Representatives: Mexico, D.F. . Buenos Aires . Rome . Beyrouth . Bombay

Incorporated with Limited Liability under the Laws of the U.S.A.

of Labour, will not be able to collect any dues from its members if its officials include any convicted felons. New York City's budget troubles have been eased by the appointment of the Transit Authority demanded by the Governor; this new body is forbidden to run the city's transport at a deficit and empowered to raise fares to make ends meet, something they have not done for years.

Unfortunately these prospective fare rises, coupled with a 15 per cent increase in rents authorised by the state and with Mr Dewey's dictatorial manner, have not made it easier to secure first-rate candidates for the mayoralty election in the autumn. The Democrats and Liberals, the local third party, regard Republican state domination over the city as a most promising battle-cry; this was one reason the Liberals were reluctant to join the Republicans in the city to nominate Representative Javits, who has sat in Congress as a Liberal-Republican and would make an excellent Mayor. The Liberals also suspected that the Republicans would not throw their full support behind so independent a candidate. Instead they chose to dash all hopes of a Liberal-Republican coalition by picking Mr Halley, who under their banner defeated both the Republican and the Democratic candidate in 1951 for President of the City Council, even though his record in office has been disappointing.

Party labels have come to mean less and less in the city; more than half the voters are estimated to be independents. It is the candidate's popularity that counts, and Mr Halley, an expert television performer, may justify the Liberals' hopes of winning the Mayoralty as a preliminary to the election for Governor next year. At least his selection has driven the Democrats, once the masters of New York City, to consider whether they should form a coalition with the Republicans, at the cost of abandoning their anti-Dewey war-cries, or seek a well-known Liberal who might pull independent voters out of Mr Halley's orbit.

Anti-Trust Up to Date

THE heads of the two government agencies which are responsible for the enforcement of the numerous anti-trust laws—Mr Brownell of the Department of Justice and Mr Howrey of the Federal Trade Commission—have both recently made speeches which together provide the first definite outline of the new Administration's attitude on these matters. As might be expected from an Administration which will inevitably be accused of showing favouritism to big business, it was emphasised that monopoly and unfair competition would be attacked relentlessly. A number of corporations, especially perhaps the DuPont company, must have been disappointed when Mr Brownell added that there would be "no wholesale dismissal of pending suits."

However, Mr Brownell also insisted that the administration of the anti-trust laws should be simplified and that businessmen should be helped to follow the laws. Mr Howrey suggested various ways in which his commission could work towards these ends, mainly through more consultation with businessmen and economic experts. He emphasised that the objective would be to secure compliance with the laws to prevent them being broken, rather than to wait until they had been violated and then prosecute. And Mr Brownell promised that, where court actions had

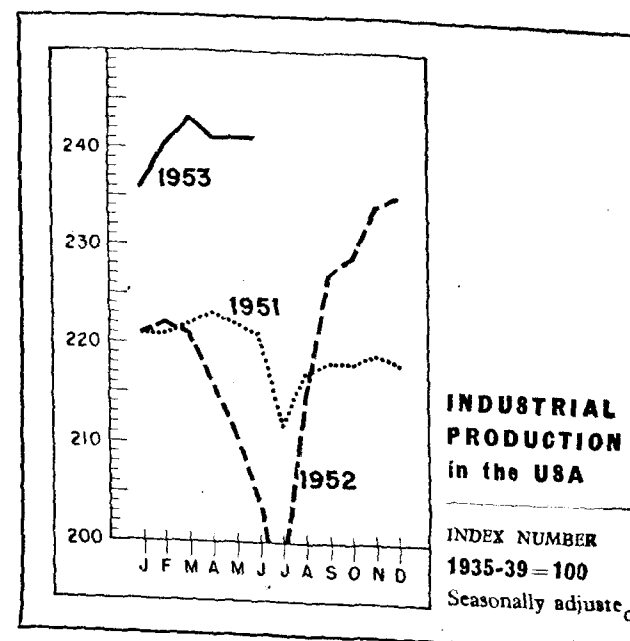
to be brought, they would, wherever possible, be civil suits, which can usually be settled by agreement, rather than criminal cases.

The conciliatory approach that is now to prevail has already been demonstrated by the FTC's readiness to support legislation, which it had previously opposed, which would allow a firm to practise price discrimination in order to stop a particular customer buying from a competitor. The seller's right to do this under certain circumstances was in fact upheld by the Supreme Court some time ago and at its latest session the Court ruled on another aspect of the Robinson-Patman Act, concerning the responsibility of the buyer who pays a discriminatory price. It is this Act which makes price discrimination illegal, but it is very difficult to interpret satisfactorily or to co-ordinate with other anti-trust legislation. The Robinson-Patman Act is one of the laws to which Mr Brownell has specifically directed the attention of the national committee which he is shortly going to set up. It will be composed of lawyers and economists, and will apparently study all the ramifications of the monopoly question, in order to prepare the way for modernising and strengthening, and, it is to be hoped, simplifying and clarifying, anti-trust legislation.

Willow Doesn't Run

THE Air Force, which tried so hard to convince Congress that its budget should not be reduced, has been acutely embarrassed by the discoveries of a Senate subcommittee examining its contract with the Kaiser Motor Corporation. This contract, until the Air Force hastily cancelled it while the hearings were still going on, was for 159 C119 cargo aircraft, commonly known as flying boxcars, which were to cost \$198 million. What made the subcommittee see red and the Air Force squirm was the revelation that the Fairchild Engine and Aircraft Corporation is supplying for \$260,000 each models for which the Kaisers were charging \$1.2 million apiece.

In fairness to the Air Force and to the automobile com-



pany, it must be remembered that the contract was let in 1950, when additional sources of supply were being urgently sought to broaden the productive capacity for arms; the Fairchild Company could produce only 33 aircraft a month, while the Air Force wanted 135 a month. It was recognised then that the Kaiser Corporation, starting from scratch, would have heavy tooling costs; that it would have to learn to make aircraft at government expense; and that while the Fairchild Corporation was using a government plant, the Kaisers would be using their own vast plant at Willow Run, originally built by Henry Ford to manufacture Liberator bombers. The first cost estimates, received, the subcommittee noted sourly, some months after the work was allotted, put the price of each Kaiser boxcar at about \$467,000. Even the Air Force spokesmen had to admit the "apprehension and regret" of his service as the cost more than doubled and the aircraft proved slow in coming. So far 55 have been delivered.

The cancellation has caused the lay-off, at Willow Run, of nearly 10,000 of its 12,000 workers. It is hard to believe that the Kaisers, with all their ingenuity and audacity—they were the most famous of wartime contractors, ready to turn their hands to anything—can easily find alternative employment for Willow Run. Too many defence contracts allotted to the automobile industry are being pared down in accordance with the new policy of concentrating production to reduce costs. In any case, the Kaiser Motor Corporation, in the first six months of this year, lost almost four times as much money making cars as it earned—if that is the right word—making aircraft for the government.

SHORTER NOTES

Under pressure of the problems that might have arisen had the government's power to control supplies of scarce materials needed for defence production been allowed to lapse, Congress renewed the Defence Production Act at the last minute, for two years, without the controversial section dealing with an agency to help small business. The Senate and House conferences had been unable to agree on a compromise and an attempt will now be made to settle the question by separate legislation.

★

As a result of the increase in steel wages, the leading steel companies have increased their prices by varying amounts, which average about \$4 a ton for carbon steel products. How far users of steel, in particular makers of household appliances and automobiles, will wish to pass these increases on to consumers remains to be seen, as does the effect which the increases will have on the present high demand for steel.

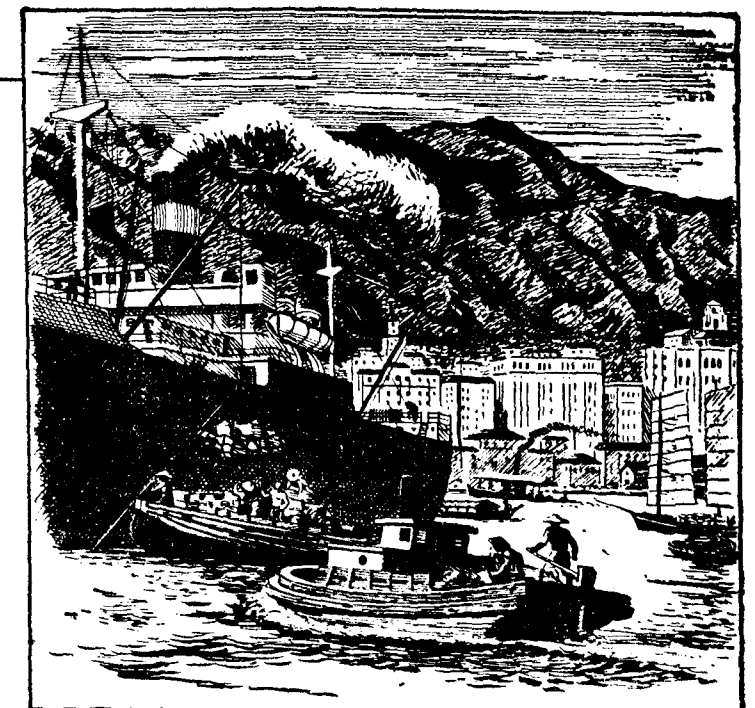
The hot summer season, when carbonated soft drinks are sold by the million, has been chosen as the right time to launch new throw-away containers for the beverages. One of the largest manufacturers of these products is introducing tinned soft drinks; "soda pop" needs a container heavier than does the beer which has long been sold in tins. Now that the problem of tinning carbonated drinks has been solved, both shop and consumer will be spared the trouble of storing and returning bottles.

Serving Commerce Around the World

Bank of America offers you credit facilities and direct representation in the world's great trade centers...plus up-to-the-minute information collected and evaluated by our men traveling in all parts of the world. For information, write Bank of America, International Banking Department, 300 Montgomery Street, San Francisco, California...or our branch or representative nearest you.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

SAN FRANCISCO • LOS ANGELES



OVERSEAS BRANCHES: London • Manila • Tokyo • Yokohama
Kobe • Osaka • Bangkok • Guam

REPRESENTATIVES: New York • Mexico City • Milan • Paris
Zurich • Correspondents throughout the world

BANK OF AMERICA (INTERNATIONAL), New York, a wholly owned subsidiary; overseas branch, Duesseldorf

The World Overseas

The East German Revolt

FROM OUR SPECIAL CORRESPONDENT IN BERLIN

TALKS with strike leaders who managed to escape to the West after the astonishing events of June 17th in Soviet-occupied Germany make it possible to get a fairly clear picture of what took place. It seems that although political demands came to the fore in the later stages of the revolt, at first it was mainly directed against intolerable living conditions. There was less food in the Soviet zone than during the war, even for the privileged workers, and prices had been surreptitiously raised time and again. For months past, the Socialist Unity Party (SED) had been ordering the factory managers and trade union leaders to conclude new "norms"; this meant that unless the workers produced at least ten per cent more their wages would be cut; and on May 28th when a decree on "norms" was issued, the men came out in small local strikes here and there. Behind this specific grievance lay a vast accumulation of resentment against the broken promises, the appalling lack of decent housing and clothing, the bullying of SED party functionaries, the spying, and the compulsion to spend one's free time learning Marxism Leninism.

It takes a great deal to make German workers revolt, and they would perhaps not have done so in June if the Communist trade union leaders, who were often at the same time SED party officials, had not become thoroughly discredited as mere tools of the party. Moreover, the SED itself had earned the reputation of being more Communist than the Russians. With German thoroughness, added to subservience and brutality, it had tried to fulfil the tasks assigned to it from the Russian headquarters "one hundred and fifty per cent." Moreover, even the comparative efficiency of the Germans has not made the planning system work: local bottlenecks are frequent, cotton frocks are distributed at Christmas and overcoats in mid-summer.

It would, however, be wrong to suggest that it is only material hardships that have turned the Soviet Zone workers against the Communists. They have also been affected by the system of secret police terrorism run by men who often simply passed from the Gestapo or *Sicherheitsdienst* of the Nazis to the *Staats-Sicherheitsdienst* of the SED. Workmen were ordered to spy on their colleagues and knew that their mates were doing the same to them. They were given special training in an allegedly infallible method of discovering whether a man who made a politically unreliable remark did so because he was merely stupid or because he was a "saboteur." Feeling against this system was vented on June 17th, when prisons were stormed, prisoners released and files thrown out of the windows.

By the beginning of June bitterness against the SED had reached a high pitch. On June 10th the SED proclaimed that it had made serious errors. The party leaders cried "*mea culpa*" but made concessions only to the lower middle class and the peasants. Like wildfire, therefore, the belief spread that the Russians were about to jettison their puppets, and now was the time for the workers to present their grievances. They were further encouraged to do so by the sudden appearance in the press of specific complaints by workers. The Soviet idea was evidently to allow the lid to be raised slightly and to impress on the people that their complaints would henceforth be heard. This is the only truth, it seems, behind the widespread rumour that the Russians or the Minister of the Interior, Zaisser, had engineered the first strike in the Stalin-Allee.

It is certain that the *Volkspolizei* and the Russian managing directors in the Soviet-owned factories were confused and inhibited by the general feeling that a change had taken place in top-level policy. Were they supposed to smile and grant concessions to the strikers, or should they use force against them? This uncertainty accounts for the fact that there was practically no resistance to the demonstrators who marched on June 16th from the Stalin-Allee to the government headquarters in the Wilhelmstrasse. The crowds were in complete control of the situation until the Soviet tanks appeared; and once this happened, the *Volkspolizei* began to take action. Until then, the East Berliners had felt so confident that they had the SED on the run that their demonstrations even assumed elements of a students' "rag"—an aspect of the affair which was increased by some unofficial West Berliners who came to join what one reporter called "the Wild East show." There was, however, no organised intervention or incitement from West Berlin; the allies and West Berlin authorities agreed after some argument that it was much too dangerous to give support to the strikers.

Nevertheless, the western radio played an important part in developments. On June 16th, a deputation of East Berlin strikers came across to the West. They decided in conjunction with westerners to draw up a list of demands, including free all-German elections, which would be presented to the Soviet German authorities by the men's own representatives; if they were not accepted, the strike would be continued with the call to everyone to rally at Strausberg in Berlin on the 17th. Actually, the American-controlled radio station, Rias, broadcasting these demands, gave

the impression that the demonstrations were to go on in any event. Throughout the Soviet zone, therefore, "Strausberg" became the rallying cry for the strikes that broke out on the 17th. In this way, Rias played the role of tocsin once the first blow had been spontaneously struck. Previously, broadcasts from Rias and the North-West German station, as well as various other activities undertaken by West German organisations, had not incited the East Germans to action. They had, however, created a mood of resistance.

On the 17th, strikes began everywhere, without any organisation. Only at the Leuna works was there a real strike committee which took up its headquarters in a hotel and issued orders. In a typical episode at the Soviet-owned Agfa works at Bitterfeld, the leaders presented their demands to the Russian managing director, who played for time until he could get instructions from Berlin. The leaders appealed to the strikers not to damage the factory, and when the Russian managing director asked them to help the works police to keep outside rioters from forcing their way in, he met with some response. But in Bitterfeld and elsewhere, passion soon swept away restraint. Pent-up hatred was vented on the Communist functionaries, who tore their badges off to save their lives. One or two were lynched nevertheless.

Bewildered Russians

It is true that the Russians, with some exceptions, showed restraint. It was evident that the officers were under orders to avoid bloodshed. The reasons are obvious. To fire on the workers would not only ruin the appeasement campaign that had been started with an eye on the West German elections; it would upset the theory that workers revolt against capitalists and Communists help them. June 17th turned this theory upside down, and it is small wonder that the Russians were bewildered. Some reports have declared that the Russians in their tank turrets actually cheered the strikers; but the truth of the matter seems to be that they were only making gestures to the crowd and shouting "Go home." Only when stones were hurled at them like hand grenades did they fire, and so did the German army men who stood with a stiffening of Soviet soldiers behind them. But both the Russian and German soldiers evidently remained uncertain what they were about. One sidelight to this aspect of the affair may be significant. German children who had been taught compulsory Russian at school appealed to the soldiers in their own language. The Soviet authorities must now wonder whether it is advisable to provide this means of contact between their cloistered troops and the Germans.

The initial mildness of the Russians (offset by the later repressions carried out by the German police) did not prevent the Germans from throwing stones at their tanks. Perhaps it encouraged this foolhardiness. The demonstrators were mostly men under 35 and are therefore hardened ex-soldiers who, even unarmed, have no fear of Russians, in tanks or out. Many of them prefer Dr Adenauer's policy of building up West German armed strength to the Socialists' call for "unity first" because they see no way of liberating central Germany except by force. These men are disappointed that the western powers did not invade the Soviet zone. Too much, however, should not be made of this feeling, since it is counter-balanced by the fear of war, and the realism of Soviet Zone citizens.

France and Its Empire

FROM A CORRESPONDENT IN PARIS

FRANCE'S offer of greater independence to Indo-China, and the gradual awakening of the French conscience about conditions in North Africa have put the question of empire in the forefront of the new government's policies. It is increasingly clear that the French Union, as it was conceived after the war in response to the wave of anti-colonialism, has solved neither the problems of Asian and African nationalism nor those of the proper economic relationship between France and its vast territories overseas. As was said some thirty years ago, "France conquered an immense colonial empire without doing it on purpose," and French thinking about the colonies is therefore muddled or outdated.

Although the French empire played a vital part during the war—De Gaulle's road to Paris started at Lake Tchad—the metropolitan Frenchman knows little and often cares less about the French Union. This was confirmed graphically when a poll was taken last year: 53 per cent of those questioned could not define the French Union and 19 per cent could name none of its far-flung territories. This ignorance is partly due to the fact that the French school curriculum tends to pass hastily over colonial history and geography. There is, moreover, no widespread public relations or propaganda organisation to foster general interest in colonial problems and the *Ligue maritime et d'Outremer* is far from active.

Nevertheless, the pressure of events since 1945 is beginning to bring home to the average Frenchman the concerns of empire. The revolt in Madagascar, the mounting conflict between North Africa and the mother country, and above all the bitter war in Indo-China have brought their own education in geography. It is no exaggeration to say that Indo-China is the dominant fact in France's political and economic picture at present and that North Africa may become so in the near future. The division of opinion about the French Union, moreover, is one of the most important divisions in French politics and France's social structure as such. To the Communists, and to many Socialists, the empire is France's open wound and the main cause of its weakness. To the upper bourgeoisie and to a large section of the middle classes, however, the French Union represents France's last real claim to be included among the great powers. Nationalism on this issue has been so vehement, moreover, that even the Communists have thought it wise to speak in muffled tones about colonial aspirations or total independence.

Awakening of Conscience

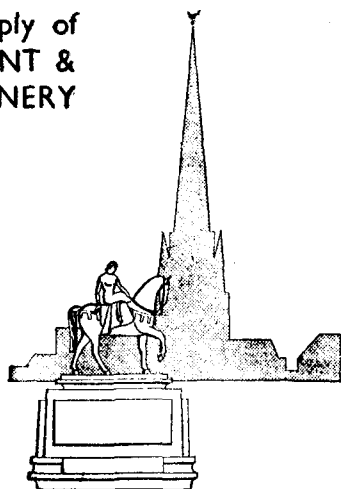
Whereas France is as yet unprepared to make major concessions in North Africa, it is becoming increasingly clear that a solution will have to be found rapidly in Indo-China. The fact that M. Mendès-France, who hinted definitely at negotiations with Ho Chi minh, should have obtained more than 300 votes in the Assembly and a wide measure of acclaim throughout the country, proves this. Few Frenchmen are willing, as yet, to renounce Indo-China entirely, but an increasing number would like to see the transformation of the French Union into something more like the Commonwealth.

They are beginning to realise that it is at least as

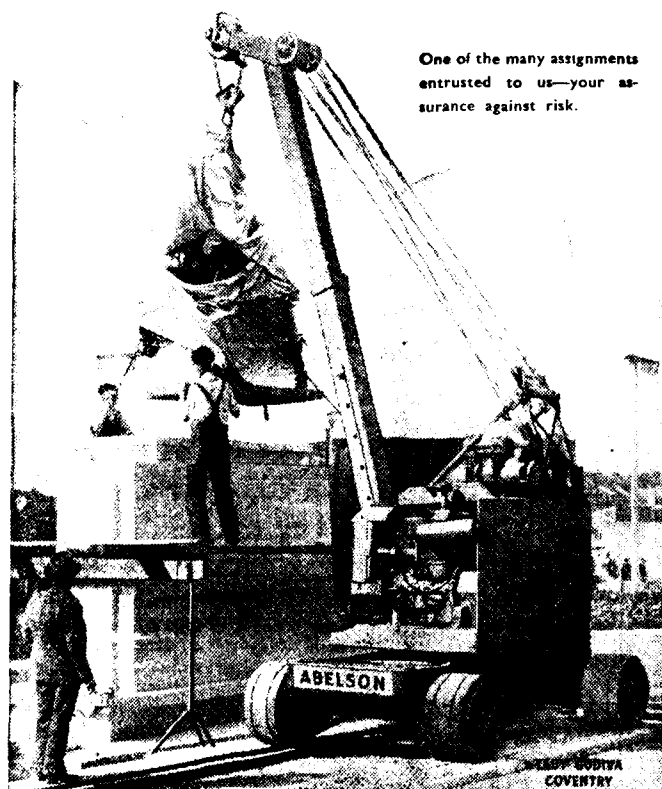
ABELSON

Specialists in the supply of
PLANT, POWER PLANT &
miscellaneous MACHINERY

The Lady Godiva Statue was presented to the City of Coventry by Mr. Bassett Green and the photograph shows this being lowered into position on to its plinth standing on a garden island in Broadgate, the City Centre.



One of the many assignments entrusted to us—your assurance against risk.



ABELSON & CO. (ENGINEERS) LTD.

SHELDON BIRMINGHAM 26

TELEPHONE: SHELDON 2424 (10 lines) TELEGRAMS: ABELSON BIRMINGHAM

LONDON OFFICE:
70, VICTORIA STREET,
LONDON S.W.1.

TEL.: TATE GALLERY 9444-8
GRAMS: (INLAND) ABELPOWER
SOUTHWEST LONDON

MANCHESTER OFFICE:
100, OXFORD ROAD,
MANCHESTER, 13.

(TELEPHONE: 5727-11, 1100-1)

Yours sincerely,

This warm, friendly personal subscription to our letters to friends conveys also a message of truth and honesty. It is strange that these words are not used more often in business. Yet how appropriate they are, especially in such a relationship as must exist when the Bank is appointed as Executor or Trustee.

Hence it is that more and more use is being made of the Bank's services as Executor and Trustee as realisation is growing that the holder of such offices must combine an intimate and personal approach with experience and continuity.

The Manager of any of our branches will be glad to supply information and to hand you a copy of our Executor and Trustee pamphlet.



MARTINS BANK
Limited

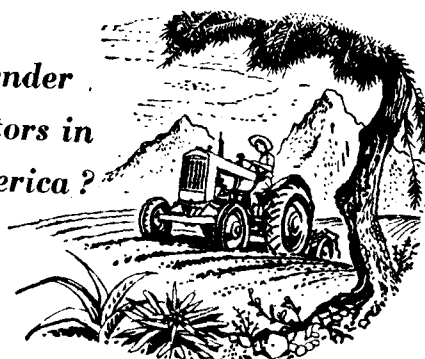
TRUSTEE DEPARTMENT, HEAD OFFICE:
WATER STREET, LIVERPOOL, 2

Branches of the Department at—

80, Gracechurch Street, E.C.3. 16, Whitehall, S.W.1.
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 31st December, 1952) £361,095,426

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.

Our *Fortnightly Review*, a digest of reports sent in from our 56 branches in South and Central America, is an invaluable summary of economic information for all who trade in these markets. We shall be glad to send you a specimen copy on application to:—

The Research Department (SECTION 34)

BANK OF LONDON & SOUTH AMERICA LIMITED

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE ROAD • MANCHESTER: 36 CHARLOTTE STREET

important to improve the material and spiritual standards of the native populations in overseas territories as it is to maintain a strong political, military and economic control over them. They feel that France is responsible for their political education as well as for their economic development, and that peoples overseas may yearn even more for political freedom than for good communications, schools, hospitals, increased production and food supplies. These views are more widely spread at present in the left-wing political parties than in conservative groups, but they are gaining ground, apart from all political belief, in intellectual circles. A number of Roman Catholics, led by François Mauriac, have come out in favour of the North African nationalists after the recent incidents in Casablanca. There is probably more humanitarianism than policy in this evolution, which is part of the progress of liberal trends in French Catholicism. There is, moreover, a growing body of French opinion which feels that the brutalities of French rule in North Africa are a symptom of the homeland's weakness rather than of its strength. Sooner or later these trends should help to give a more flexible course to French rule overseas.

Another important fact is that nearly a hundred-odd representatives of the French overseas territories (not including the North African protectorates nor the Associated States of Indo-China) are now sitting in the National Assembly in Paris. Whatever their colour, most of them have chosen to join the various metropolitan political parties. A dozen have formed a special group: "the overseas independents." In the unhappy search of all French coalition cabinets for a stable majority, the votes of both categories are important. They would remind any French government which was tempted to forget it that France has a future full of problems not only in Europe but also in other parts of the world, especially in Africa.

Burma's Rice Surplus

RICE is not one of those commodities that dominate world trade or disturb international relations, like wheat or rubber; but in South-East Asia it is often crucially important. The exporting countries—Burma, Indo-China, Siam—have not, since the war, had any difficulty in disposing of their export surpluses at remunerative prices. On the contrary, the importing countries—India, Ceylon, Indonesia and Malaya—have been hard put to it to buy what they need. The pressure has been on the exporters to increase their output which, in many countries, still lags behind prewar averages. New sources of exports have also been tapped: China (only a marginal exporter before the war), Egypt and the United States are now net rice exporters. A record world production of 357,000 million pounds, six per cent more than last year, has been forecast.

In Burma, where rice is grown on 90 per cent of the cultivated land, production and the exportable surplus have been climbing back to prewar levels. The Burmese economy is heavily dependent on rice not only as its principal product, and as a source of foreign exchange, but also for public finance. Nearly a fifth of the revenues of the government come from profits of the State Agriculture Marketing Board, which profits by selling Burma's rice exports abroad at a price higher than it pays to the farmers.

Any setback in foreign sales of rice is thus doubly unpleasant to the Union of Burma government.

Recent reports indicate that Burma is facing a difficult problem in disposing of an export surplus of rice estimated to be 1.5 million tons in 1953. So far inter-governmental contracts have been arranged for the sale of 900,000 tons, but no obvious market for the balance is in sight. The government does not want to accept lower prices—which would probably solve the problem of the surplus—primarily because it would be extremely embarrassing to the budget. The Minister of Agriculture, Thakin Kyaw Dun, has appealed to farmers to store their rice until the government is able to straighten out the price question.

Meanwhile, in the search for a convenient whipping-boy for Burma's present misfortune, opinion has hardened against the United States. The Burmese claim that the United States is planning to cut off Burma's rice markets—presumably by itself exporting rice to South-East Asia—with the object of bringing Burma into the American sphere of influence. This explanation flatters the State Department's influence with people such as Mr Nehru and takes no account of the limited capacity of the United States to supply the rice needs of the area. The unpleasant fact is that with a buyers' market emerging, the inherent inflexibility of a government selling cartel is once again being demonstrated.

"Solutions" in South Africa

FROM OUR JOHANNESBURG CORRESPONDENT

AFTER their election victory the Nationalists prophesied that the United Party would rapidly develop those fissiparous tendencies which kept the Nationalists themselves in the wilderness for so many years. Their reading of the crystal ball has not proved wrong.

Mr Blaar Coetzee, a prominent member of the United Party who is also a big publisher of Afrikaans books, cannot now see why the United Party should not get together with the Nationalists over the colour question. "If," he says blandly, "such a solution still demands a two-thirds majority, I think it ought to be given." The Nationalists wanted to take the Cape coloured voters off the common roll without a parliamentary two-thirds majority. The United Party vigorously attacked this as constitutionally unthinkable. Mr Coetzee's "solution" of the problem is simplicity itself: the United Party should give the Nationalists their two-thirds majority.

Against such simplicity, many members of the United Party have not unnaturally revolted. Unfortunately, they still await a clear lead from Mr Strauss, their leader. There is nothing very ambiguous about Mr Coetzee's somewhat cold-blooded proposition, but Mr Strauss is rapidly becoming South Africa's chief political enigma. "We will give the government a fair chance. In Parliament the United Party will not defy the government and will not place obstacles in its way as long as the government works for the welfare of the country." He added mysteriously: "We do not ask for a coalition, and we do not ask for seats in the Cabinet."

Since the Nationalists greatly increased their majority in Parliament in the election, Mr Strauss is not likely to get either, even if he asked; but his statements started rumours

circulating about a possible *toenadering*, the time-honoured method whereby South African politicians in difficulties get together to merge their parties and save the country at the expense of their principles. Unfortunately for the rumours, it is only Mr Strauss who is in difficulties, not the Nationalists. Mr Eric Louw, with his customary incisiveness, declared: "Any compromise proposals from Strauss and Co. will have only one aim, to save their own political skins. We can make our own conditions." Other Nationalists are less inclined to call for unconditional surrender, and more prepared to deal tenderly with "the conservative young men of the United Party", meaning Mr Coetzee. But even they doubt if the conservative young men can "redeem" the United Party, and therefore, like Mr Louw, advise them to support the Nationalists openly.

Mr Strauss's statements afforded plenty of opportunity for disagreement within the United Party itself. Mr Coetzee declared he had merely enunciated "the official United Party policy: to take the non-European question out of politics, and that can only be done by negotiation with the government." On the other hand, the chairman of the executive committee of the United Party on the Witwatersrand, Mr J. D. Cloete, said that Mr Coetzee's "attempt to act as interpreter-in-chief of the meaning of Mr Strauss's proposal to lift the non-European question out of the hurly-burly of party politics is, to say the least, unfortunate."

Mr. Strauss Begs the Question

To not a few United Party supporters, there occurred the thought that Mr Strauss's meanings would hardly have needed any interpreter had they been couched in less ambiguous language. The further thought which logically followed was that the best man to clear up any misunderstandings was Mr Strauss himself. In response to an invitation to do so (by the *Natal Witness*), Mr Strauss replied: "There has been no response to my sincere and friendly offer to Dr Malan to co-operate in finding a settlement of the non-European problem. The offer still stands, but it remains with Dr Malan to take the next step." This was begging the question with a vengeance, since no one even now knows what it is that Mr Strauss means when he talks about "co-operation" with the Nationalists.

Though the United Party's "conservative young men" have promised, rather sulkily, not to "negotiate independently" with the Nationalists—the phrase is astonishingly revealing—it is evident that Mr Strauss's leadership is now seriously in question. Equally significant, and disquieting, is the fact that the rebels within the party are all to the right of Mr Strauss, who has never been regarded by his warmest admirers or severest critics as a Liberal.

Outside the United Party, but also opposed to the Nationalists, the new Union Federal Party, based on Natal and supported by at least one limb of the now dismembered Torch Commando, accuses the whole United Party, including Mr Strauss, of waging only a "sham fight" against the Government. The equally new Liberal Party also criticise the United Party.

So much for the white parties opposing the Nationalists. But, in the new and dangerous South Africa that the Nationalists themselves have done most to create, the African and Indian Congresses (and their white sympathisers) can never be ignored. The Nationalists have made it crystal clear that they propose to get (or stay) "tough"

with the non-Europeans. The incident of June 28th in Johannesburg will serve as an illustration of what this implies. Sophiatown is a non-European suburb of Johannesburg. In this and adjoining areas live some 75,000 non-Europeans who have freehold rights but whom the Government now proposes to uproot and disperse in the name of *apartheid*. Twelve hundred non-Europeans attended a Sunday protest meeting in the Indian-owned Odin cinema in Good Street. They were quiet, well-behaved, well-dressed people: they might be said to represent the African bourgeoisie. These people want to keep their homes, not to be inmates of a squatters' camp. The meeting was addressed by Father Trevor Huddleston, an Anglican missionary who has long served the people of Sophiatown. The Anglican Bishop of Johannesburg, Mr Ambrose Reeves, sent a message of sympathy and support. On the platform there were also leaders of the African and Indian Congresses. The meeting was orderly.

Suddenly twenty white policemen burst into the hall, armed with sten-guns, rifles, bayonets and revolvers. In the street outside about a hundred African policemen debouched from trucks. It looked like a military operation. Some detectives sprang on to the platform, while a policeman stood on guard over the audience with a sten-gun. Father Huddleston and the Indian Congress secretary, Mr Yusuf Cachalia, were hustled out of the hall. Father Huddleston was subsequently released, but Cachalia was arrested and driven off in a police car. The police made no attempt to explain their action. The crowd became incensed, and the Indian and African leaders had to lock them in the cinema until the police had departed.

Thus, while the divided United Party talks vaguely of "taking the non-European problem out of politics," the Nationalists proceed to deal with the "problem" in their own way. It can now hardly be doubted that their solution is one of intimidation, terrorisation, and the ruthless crushing of even verbal protest by making arrests and flourishing sten-guns. While thus resolutely sitting on all the safety-valves, the Nationalists continue to stoke the furnace of the boiler of non-European unrest and resentment. On these lines, an explosion is inevitable, sooner or later. And no white political group is doing anything to stop it, except possibly the Liberal Party which stands by with its cup of water in the rather vain hope of quenching the flames.

The Danish Bases

FROM A CORRESPONDENT IN COPENHAGEN

THE strengthening of Western Europe's northern flank through the establishment of allied air bases in Denmark must now, at least for some time to come, be left out of the calculations of Nato planners. The matter had been under discussion between the Danes and the Americans for twelve months, and in spite of Danish hesitations an agreement was expected before the end of the year. The new attitude now taken up by the Danish Social-Democrats seems to put an end to all such expectations. At their party congress in Copenhagen during the last week of June, their leader, the former prime minister, Hr Hedtoft, said that Denmark should thank the North Atlantic Treaty Organisation for the offer to place allied air forces

on Danish soil in peace time, but should announce that in present circumstances it did not desire to accept it. This decision was unanimously supported by the congress. The minority government of Liberals (*Venstre*) and Conservatives will not now be able to obtain sufficient parliamentary support to enable Nato bases to be established. No foreseeable outcome of the next elections, due in September, can alter this—unless such "present circumstances" as Hr Hedtoft referred to have changed by then.

The Social-Democrats have during the last four years, together with the two governmental parties, formed the four-fifths majority which supports the Atlantic policy of Denmark. Hr Hedtoft himself, as prime minister, brought Denmark into Nato in 1949, swinging his own party away from its traditional predilection for neutrality. Even last week, he was careful to stress that the decision on bases did not affect his party's fundamental adherence to the Atlantic policy. But his party's change of attitude towards the air bases cannot fail to create an impression of a Danish defection from the main road of policy hitherto trodden by the Atlantic allies. This change is certainly not unique in Western Europe.

Political Complications

In announcing his change of mind Hr Hedtoft was undoubtedly, and perhaps mainly, moved by considerations of internal politics. As was explained in *The Economist* of June 13th, the constitutional revision has made this year an intensive electioneering period in Denmark, involving one plebiscite and two general elections, the second of which is still a few months off. In parliament as in the electorate there has for several years been a very delicate balance, a situation which, of course, gives the marginal vote a special importance. The party balance has furthermore put the small Radical party, which still stands for isolationism, in a key position. Facing the possibility of losing votes on a controversial issue like the air bases, Hr Hedtoft may have been tempted to act as a party politician rather than as a statesman. The government was keeping the air bases issue in cold store until after the elections, since it is also disturbing to the supporters of the other Atlantic parties; and the fact that a formal Social-Democratic statement was therefore unnecessary at this time, tends strongly to underline the internal aspect of Hr Hedtoft's move.

The Social-Democrats' decision is, indeed, welcome to many other Danes, who are otherwise supporters of the Atlantic policy. The idea of having thousands of foreign soldiers in the country in time of peace is unwelcome to a people not yet accustomed to a policy of military alliance. A year ago this feeling was probably outweighed by the obvious advantage of having strong friends on the spot in case of danger. The Soviet government on two occasions officially protested against supposed Danish intentions as regards "American bases." When the Danish government, backed by all the democratic parties, firmly rejected the Soviet Notes a few isolationist voices deplored what they called "a provocative policy towards Russia"; but on the whole the Soviet threats rather strengthened the Atlantic line. Since then, however, the Soviet "peace offensive" has affected public opinion very much as in other western countries, and this has allowed those who were doubtful about the air bases to take a more negative attitude. Yet in this respect the Soviet moves have been less influential than

certain trends in American policy. "One does not want to have binding obligations towards McCarthyism." However much such an argument may overlook the reciprocal character of the obligations, it is perhaps the strongest single factor behind the change of mind among the Social-Democrats and some other Danes.

In his recent speech, Hr Hedtoft said that the question of establishing allied air bases in Denmark might arise again if the international situation warranted it. It is perhaps symptomatic of the general tendency in Denmark to regard the establishment of allied bases as a Danish favour towards the United States, that Hr Hedtoft assumed the American offer to stand indefinitely. But on that—wholly unfounded—assumption, and supposing that a new international situation were to develop after the September elections, it may be worth while to discuss the problem as it appeared during the recent American-Danish talks.

When the growing interest in Europe's northern flank produced the Nato plan for the establishment of allied air bases in Denmark, its execution was at once left to the United States, which was—and may still be—alone capable



of delivering the aircraft and the personnel. At their subsequent discussions, the Danes and the Americans arrived at an American offer to place three wings—later reduced to two wings, or about 150 tactical planes with a total personnel of 4,000—on the two Jutland airfields of Tirstrup and Vandel, which the Danes would prepare.

The Danes, however, have sought to combine the question of the air bases with a demand for stronger Nato forces in Schleswig-Holstein. This issue came to the fore some months ago, when Nato asked Denmark to strengthen its brigade in northern Germany to replace the withdrawing Norwegians. The Social-Democrats would support this enlargement of the Danish brigade only on condition that the other Nato forces in this area were increased and as General Ridgway was not in a position to promise this, the Danish Government had to drop it. From a Danish point of view this problem is important. Nato's willingness to reinforce the Jutland frontier is in a way considered a test case, from which it can be seen whether Nato is seriously prepared to defend Danish territory.

Even before the Social-Democrat retreat there were still some other problems that obstructed an agreement. The

Danes had insisted that judicial authority over the allied forces should rest with the Danes and that the command over the allied wings in Denmark should be regulated in the same way as over the Danish defence in general. The Americans did not seem prepared to agree entirely to this. Nevertheless when and if the question of Nato bases in Denmark comes up again, some ground—both political and practical—will have been cleared. The enlargement of the airfields will go on and all sorts of technical preparations are on hand. Moreover, public opinion might be much more sympathetic if the attempts—so far unsuccessful—to make the allied air force to be stationed in Denmark more international in character could be realised.

Satellite Soccer

BY A CORRESPONDENT

THE very English game of football has become extremely popular in Central and Eastern Europe. In Rumania in the 'twenties it had already seriously challenged the national sport, *oina* (a form of rounders), and by the 'thirties it had dethroned it. And today, under the Communist regime, it has not lost its appeal. There are more than 5,000 football clubs in the Rumanian People's Republic and huge crowds regularly pack the stands to overflowing.

It goes without saying that the official explanation for this is "the Party and Government's care for man and his needs"; it is the "fruits of the correct application of the directives of the Politburo of the Central Committee of the Rumanian Workers' Party," aided by "the gigantic experience of the Soviet sport." Presumably, however, there are also other reasons for the popularity of football in Rumania. A diet of Russian plays and Russian films, etc., must begin to pall after a time. Moreover, you can really let yourself go at a football match; and there are no politics, no slogans, and no need to simulate an enthusiasm you are far from feeling. This is a very limited, negative freedom, indeed, but apparently one that a totalitarian regime cannot stomach. For the Party newspaper, *Scanteia*, has recently devoted three full columns to a critical examination of the state of Rumanian football.

Even in the first division "games have in general been played on a low technical level." Why is this? Because the clubs have "not applied the unique training plan laid down," and, even worse, because

remnants of bourgeois sports practices have given rise to unhealthy manifestations which have nothing in common with the new sport, or the healthy spirit of hundreds of thousands of young sportsmen educated by the democratic people's regime.

These "unhealthy manifestations" are not, as one might innocently suppose, just foul play, engaging the referee in fisticuffs or throwing things at him, but—"the low political level . . . in the activities of the players in the social field."

The behaviour of the clubs themselves causes *Scanteia* much grief: for it seems that they are set on winning their matches. At all costs they are determined to exceed the norm; and they therefore seek, by means of all sorts of extravagant promises, to entice the best players away from the opposing teams. Such practices are apparently not in

THE ECONOMIST, JULY 11, 1953

themselves so bad, but, as *Scanteia* points out, the "fluctuations and transfers" take place "on an unprincipled basis," which has given the star players the impression that "for them everything is permissible on the football field." And club managements "in their impetuosity for victory 'at all costs'" rush to the defence of the culprits. Moreover, "Party and State activists with responsible posts" who happen to be on a club board of directors, or who are football fans, "have lost their objectivity and political clarity, and have taken up a partisan and inadmissible attitude in covering up and even encouraging these unsporting practices".

Have they forgotten, asks *Scanteia*, that their duty is "to combat the spirit of competition between teams?" Have they forgotten that they must be "guided by Stalinist teachings concerning Socialist competition?" Furthermore, "the lack of ideological vigilance" of many of the activists on the directing boards of football clubs is so great that they allow themselves to be "influenced by so-called 'sports technicians' and 'stars' soaked in bourgeois ideology, to such a degree that they resort to *unprincipled interventions*" in their favour, and "tolerate the reintroduction of the competitive spirit in the teams," which is "completely contrary to the spirit of collaboration and reciprocal aid that is a specific part of the Party line and spirit in sports matters."

"Provocatory Acts"

The remedies proposed by *Scanteia* are illuminating. The main one appears to be that the Central Commission of the Sports Federation (C.C.F.S.), should "assure a systematic and permanent political education of players." Apparently "a first class player ambitious to represent his country" must not only achieve technical perfection, he must also "possess the well-developed conscience of a patriotic citizen, with a high political and ideological standard." This is all the more important since "the absence of close co-ordination between sports education and political education represents a danger to the work of the Communist education of the great mass of young people."

On the other hand

the CCFS must rely on the thousands and tens of thousands of worker spectators, who are filled with love for the development of the new sport . . . in order to unmask the small number of adverse elements who . . . try to intimidate the referee and indulge in all sorts of provocative acts.

Poor Rumanian football fan. The club managements must also punish the "unhealthy manifestations" of their players without awaiting the CCFS' decision, and "in certain cases, must themselves rectify the sometimes serious errors made by the referee in their favour during a match." *Scanteia* further recommends that after each match the two teams should hold an inquest on it, for the purpose of "criticism and self-criticism of the play." Finally, great "attention must be paid to the professional preparation and to the raising of the political level of the trainers."

If all these instructions are properly carried out, Rumanian football will undoubtedly undergo a remarkable transformation. But first of all a certain amount of cleaning-up will be required, and, since almost all the Government ministers are honorary presidents of one club or another, a number of big figures may have to be declared "offside."

THE ECONOMIST, JULY 11, 1953

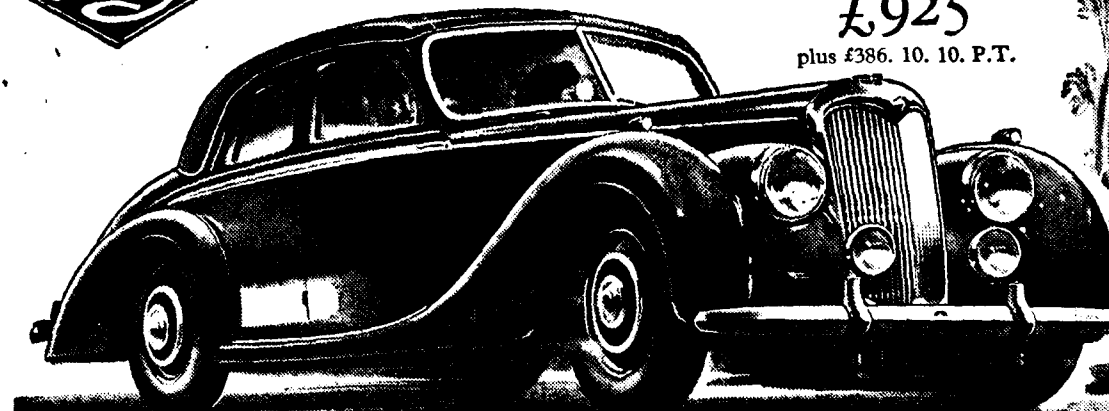
MORE ATTRACTIVE THAN EVER—



2½ litre, at the New Low price

£925

plus £386. 10. 10. P.T.



NUFFIELD SERVICE IN EUROPE
All Riley Owners, planning a Continental Tour, are invited to see their Dealer for details of a free Service to save foreign currency.

You can shortly realise your ambition to own this superb car which more than lives up to the great name it bears. Its highly successful engine with the exclusive hemispherical head is matched by steering and suspension to warm the hearts of motoring enthusiasts. Its tireless power and zest are a revelation in fast, safe motoring. And every detail in chassis and coachwork is craftsman-built to give you years of proud ownership.

Arrange a trial run today with your Riley dealer.

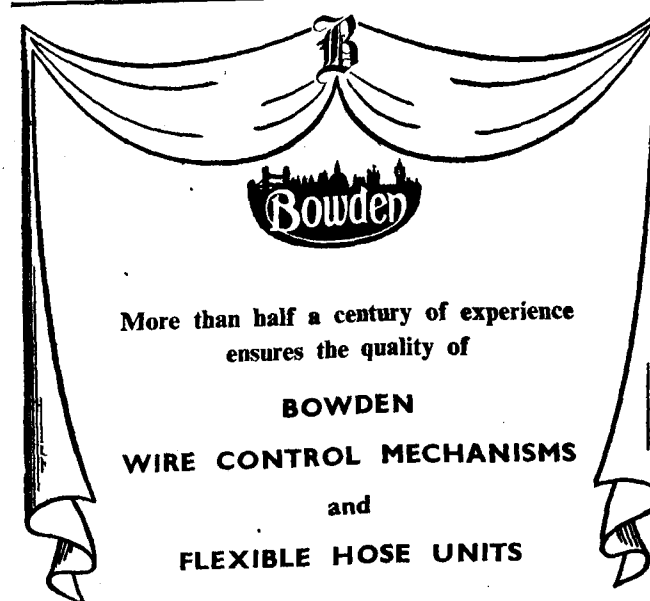


for MAGNIFICENT MOTORING

RILEY MOTORS LIMITED, Sales Division, COWLEY, OXFORD

London Showrooms: RILEY CARS, 55-56 PALL MALL, S.W.1

Overseas Business: Nuffield Exports Ltd., Oxford and 41 Piccadilly, London, W.1



Engineers throughout the World
insist on Genuine Bowden Products.

Bowdenex Bowdenite
Bowdenflex

BOWDEN (Engineers) LIMITED, LONDON, N.W.1

fill up
and feel the
difference



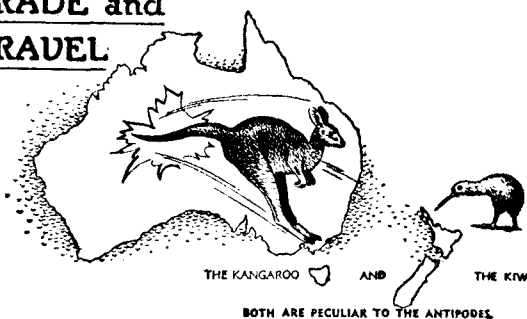
The summer means, among other pleasures, a chance to get out and enjoy the benefits of Shell performance. Young motorists are finding out that Shell—already the favourite brand of older drivers—has built its reputation on results*. More and more are discovering that wherever you go in Britain . . .

YOU CAN BE SURE OF

* In the British Empire Trophy Race the first four places were:—
ASTON MARTIN (R. Farnell)
record speed of 73.96 and lap record.
FRAZER-NASH (K. Wharton)
FERRARI (H. Ruesch)
JAGUAR (Stirling Moss)
using Shell Premier Petrol as sold from the pump.



TRADE and TRAVEL



Whether your activities entail long distance travelling or concentrated investigations, we can assist you in AUSTRALIA and NEW ZEALAND

Our TRADE INTRODUCTION SERVICE and TRAVEL DEPARTMENTS will gladly:

1. Make a SURVEY to meet your trade requirements.
2. Prepare a suitable ITINERARY.
3. Book TRANSPORT by air, rail, road or sea.
4. Secure Hotel ACCOMMODATION.
5. Arrange business INTRODUCTIONS.
6. Issue TRAVELLERS CHEQUES and TRAVELLERS LETTERS OF CREDIT.

Inquiries welcomed either through your own Bankers or direct.

THE COMMERCIAL BANK OF AUSTRALIA LIMITED

(Incorporated in Victoria) Registered Office: 335 Collins Street, Melbourne.

PRINCIPAL OFFICES:

HEAD OFFICE: 335/9 Collins Street, MELBOURNE, VICTORIA.
LONDON OFFICE: 12 Old Jewry, LONDON, E.C.2, ENGLAND.
WELLINGTON OFFICE: 328-330 Lambton Quay, WELLINGTON, N.Z.
650 OTHER OFFICES

CRÉDIT LYONNAIS

Limited Liability Company Incorporated in France

LONDON OFFICE 40, LOMBARD ST., E.C.3

WEST END BRANCH

25/27, CHARLES II STREET, HAYMARKET, S.W.1.

Private Safes for rental at this Office

TRAVELLERS' CHEQUES ISSUED IN FRENCH FRANCS PAYABLE AT ALL BRANCHES OF THE BANK IN FRANCE AND THE FRENCH FRANC AREA.

ALL BANKING TRANSACTIONS.

BRANCHES IN EGYPT AND THE SUDAN, NORTH AFRICA, SYRIA AND ON THE WEST AFRICAN COAST.

SUBSIDIARIES IN

BRAZIL, LEBANON, PERU AND PORTUGAL.

Central Office: PARIS.

Head Office: LYONS.

Doing a useful job

No. 4 of a Series

DOLLAR EXPORTS

Last year Simon-Carves completed the first British coke oven battery ever built in the United States. Simon Handling Engineers are supplying specialised pneumatic handling equipment for part of the Aluminum Company of Canada's great development scheme. Flour milling and soap making machinery by Henry Simon is giving first-class results in a number of American and Canadian plants. Gears and gear units by Turbine Gears are used in Canadian coal, nickel and uranium mines.

coal washeries · coke ovens · power stations · sulphuric acid plants · chemical plants · gasworks by-product plants · sintering plants · ore concentration plants · materials handling plants · industrial gears · flour and provender mills · and many other specialities



SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD

THE BUSINESS WORLD

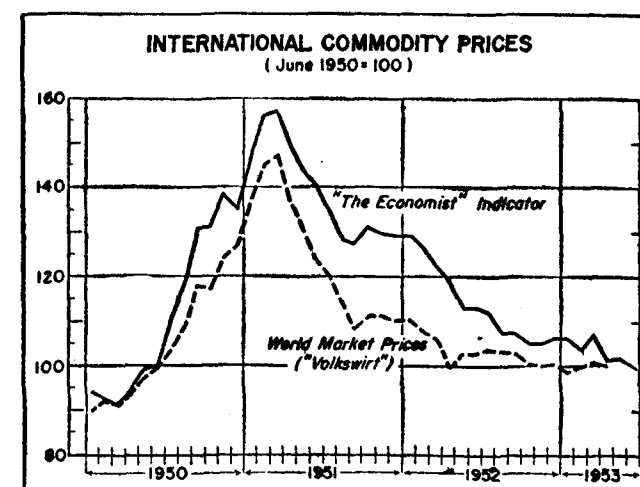
Commodities since Korea

FOR over two years, world commodity prices have been falling, more or less steadily, from the dizzy heights reached in the first nine months of the Korean war. The reaction from that upsurge, which had no parallel in commodity history, has worked itself out. The Economist price indicator reworked for this article to a base date coinciding with the beginning of the Korean war (i.e., June, 1950=100), shows that after soaring to a peak of 157 in March, 1951, prices by the end of last month had at last dropped back to 99. Other indices tell a similar story though it may be observed that the Volkswirt index returned to the pre-Korean level as early as April of last year. Some commodities, notably rubber, wheat, sugar and jute, have fallen below their pre-Korean levels; a few, principally wool, are still above those levels.

Wool is the major exception to the general trend. The charts for four individual commodities show that Dominion wool prices in London were more than doubled in the first nine months, rising from 140 pence per lb (for 64's) in June, 1950, to 314d. in the following March, and then lost all this ground—and more—in the following six months, touching 112d. in Sep-

tember, 1951. A subsequent recovery was not maintained, but from April last year firm demand has sent prices climbing fairly steadily to 148 pence per lb. American cotton, it will be seen, rose much less steeply than wool, and is now below its level of three years ago. Middling grade rose from 34.47 cents per lb in June, 1950, to 46.06 cents by February, 1951, and held this level for five months. Prices then declined, rose moderately, and declined again to reach 34.05 cents in June this year. Fluctuations in Egyptian and Indian cotton were much more extreme.

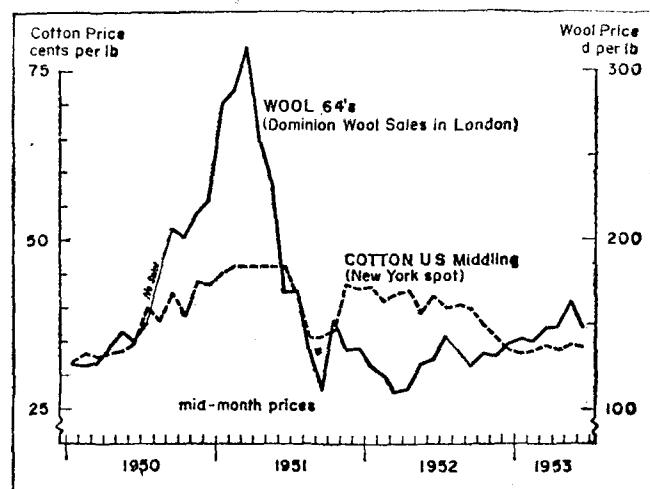
Tin prices, which stood at £600 per ton when the Korean war broke out, almost trebled in a mere eight months, fell back as swiftly to £836, and then quickly recovered to £1,000 in October, 1951. A long period of approximate stability ended early this year, since when the price has fallen steadily, and is now only £10 above the pre-Korean level. Rubber prices behaved even more violently. In June, 1950, No. 1 RSS stood at 23d. per lb; by the following February it had been more than trebled, at 71½d., but then dropped violently. The collapse was checked for a time in mid-1951, but the subsequent trend has been almost consistently



The Economist commodity price indicator is based on 17 commodities important in international trade, and has been recast for this chart to the base June, 1950 (=100); it includes six foods, four fibres, four non-ferrous metals and three other raw materials. The index of world-market commodity prices calculated by R. Schulze, and published in *Der Volkswirt*, Frankfurt (here reproduced from the annual report of the Bank for International Settlements), covers a much larger number of items.

downwards—to 19½d. at the end of last month.

Commodities have been under almost constant attack since the spring of 1951, when the boom was punctured by the change in credit policy in the United States and by the favourable turn of events in Korea, which dissolved fears that the West might be cut off from its supply sources in the East. The wild scramble for supplies that had sent prices rocketing stopped abruptly,



and prices collapsed. Industry ran down its swollen stocks and subsequently bought only minimum replacement needs, thereby intensifying the market's weakness. By September of that year, the commodities had on the average lost one half of their previous gains.

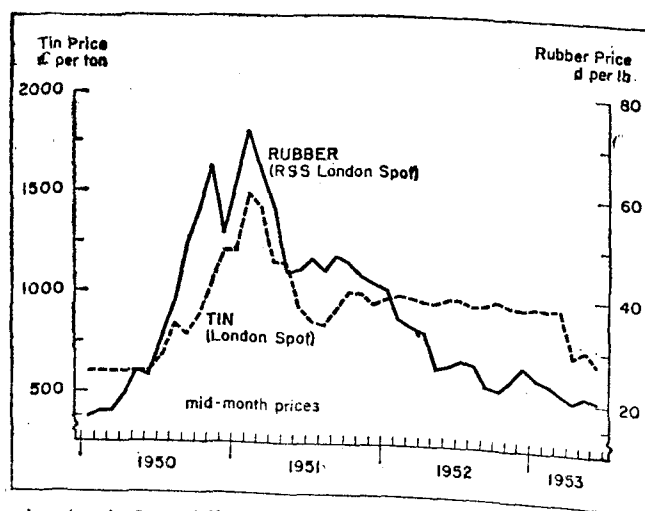
The ensuing phase of recovery and stability was cut short at the turn of the year by a combination of factors. In their renewed efforts to combat inflation and struggle out of deficits on their balance of payments, western governments had turned increasingly to credit restrictions and higher money rates. These, together with the worldwide decline in sales of consumer goods, imposed a further check on demand and on stock levels. The United States, Britain and other nations slowed down their strategic purchases for stock. Some price controls were removed and some commodity markets reopened. The rate of increase in world industrial output slowed down, and in some countries in 1952 output actually declined. These negative pressures on the demand side of the price equation were supported by a positive improvement in supplies of many commodities. The decline in prices continued, washing away the premiums hitherto commanded by commodities from non-dollar sources.

A prolonged fall in commodity prices can never be an unmixed blessing to international trade—not even when it follows an obviously extravagant rise. Its severe economic and political consequences for the commodity exporting countries are temporarily accompanied by “favourable” swings in the terms of trade of the manufacturing countries, but these benefits tend to be offset later by a fall in exports and export prices. Britain's experience neatly illustrates this. If Britain, as the world's largest importer, can be considered in

isolation from the sterling area, it may appear superficially to have gained more from the slump in commodity prices than any other country. It has lost little in export prices because the raw material cost of manufactures is only a small part of total production costs. The resulting improvement in Britain's terms of trade is shown in the chart. The extent of this improvement may be gauged from the fact that, if Britain's imports and exports in the year 1952 had been priced at the levels of last May, the visible trade deficit for that year would have been nearly one-third less.

Necessarily, what Britain's terms of trade have gained, the terms of trade of the commodity exporting countries have lost—and more besides. And this loss has its repercussions upon the manufacturing countries. The drastic fall in wool prices, to take the most prominent example, forced Britain's largest market, Australia, to impose swingeing import restrictions, from which British exporters have not yet recovered. Other West European countries have also suffered a fall in exports to the commodity producing countries, which are their largest markets outside Europe.

An even more obvious, and quicker acting, adverse consequence of the deflation in commodities, and one of vital importance to trade between the dollar and non-dollar worlds, is the drop in the overseas sterling area's dollar earnings. Exports of Malayan tin and rubber, Australasian wool, West African cocoa and the rest are the foundation of the dollar income of the whole sterling area. In 1950, the United States purchased from Britain goods worth \$337 million, but its purchases from the rest of the sterling area were almost four times as much, at \$1,266 million; in 1951 its purchases from Britain actually rose faster than those from other sterling countries, but the absolute increase in the latter was by far the more important (\$437 million, to \$1,703 million, compared with \$131 million, to \$468 million). And in 1952, although US imports from Britain continued to



rise (to \$484 million) those from the rest of the sterling area slumped to \$1,379 million. These comparisons clearly indicate the dangers implicit in a further weakening of commodity prices; and there is always in the background the recollection of the unhappy experience

of 1948/49, when the drop in the overseas sterling area's dollar earnings during the slight American recession was one of the reasons why Britain had to devalue the pound.

The crucial question now is whether commodity prices as a whole, which have lately been stagnating rather than falling, will come under further pressure or stabilise at roughly their current levels. The answer must mainly depend upon the trend of business in the United States; and that is still coasting over a high plateau. This article is not the place, nor perhaps is this the moment, to try to weigh the conflicting uncertainties in the American prospect. The indications are that the high level of economic activity will continue at least until the end of this year, but the prospect for 1954, and especially for the latter part of that year, is obscure. Though the peak impact on the markets of the stockpiling programme is long past, it is intended

France Finds Wings

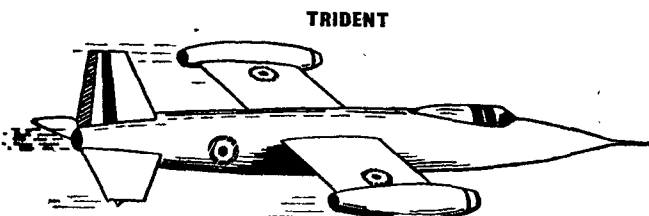
LAST Sunday morning, a pilot dived over the centre of Paris; the shockwaves set up as his aircraft passed the speed of sound cracked windows in the Champs Elysées. That aircraft was the Mystère IV, giving audible proof that French aircraft designers had produced a machine able to stand comparison with any of its class in the world. But the difficulties of the French aircraft industry are not limited to overtaking the immense technical lead that the British and Americans gained during the war and afterwards when the French factories were out of action. Perhaps the main problem is to secure the production of aircraft once they have been designed—in other words, to place production orders in conformity with a coherent defence policy and to pay for them. The limits of what can be produced are set by the size and the organisation of the French aircraft industry; the influence of both these factors can be seen in recent developments in French aircraft design.

The French aircraft factories were nationalised in the late thirties, because of general dissatisfaction with their progress. The factories themselves were merged into regional groups; the companies that had owned them kept their legal identity, although they were reduced to little more than drawing offices. French politics after the war, including the presence of a Communist as Air Minister, ruled out any chance of recasting the form of the industry; to-day there are three groups of nationalised airframe factories, in the North, South-East and South-West regions, and one nationalised engine company. But there were also new stirrings of private enterprise as the original founders of the French aircraft industry began to re-assemble design teams. Among them was Marcel Dassault, familiar before the war as Marcel Bloch, before he

that US defence expenditures shall remain at the present high level for about another year. Moscow's dramatic change of tactics, and the efforts to end the Korean war, have presumably been pretty fully discounted by the markets already, but it would be rash to say that they have been wholly discounted; the feeling that peace may prove less than good for business is still widespread. A year from now, if one may look so far, the outlook will be governed largely by the extent to which the reduction in American demand for armaments is taken up by an expansion in civil demand. By then, of course, western views on the volume of arms required may have changed substantially. The commodity markets may reflect that, having lost their Korean boom, they cannot lose it a second time. But they should also reflect that even a small and shortlived slowing of America's gigantic economic machine can cause large reverberations outside.

adopted a *nom de guerre* used by his brother in the resistance movement.

French designers had little or no chance to work on jet aircraft during the war. Their lack of experience, by comparison with British and American designers, accounts for a certain impatience on their part to avoid spending time and money on the spade work that others had to do in order to evolve to-day's supersonic fighter from the first jet aircraft of 1941. In this vain hope they have dissipated much energy. Many of the proto-



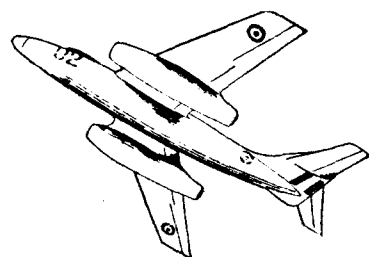
Experimental supersonic fighter built by Société Nationale de Constructions Aéronautiques du Sud-Ouest. Designed to operate from small airfields; powered by rocket motor in the fuselage with two Turbomeca jets on the wing-tips. First flew last March.

types flown in France in recent years seem to have aimed deliberately at novelty in the hope of finding a line that had not already been successfully developed in other countries. Few of these fancies were considered suitable for production; indeed, most of the aircraft built in France have been based on the de Havilland Vampire. Some of the best French designs have come from the design offices of the privately owned companies, and French policy has acknowledged that fact in a truly Gallic way—by giving nationalised factories to those companies so that they can build as well as design aircraft. At the same time, the government is attempting to rationalise production in plants still under its

control. Several of the smaller workshops have been shut down and more will follow. Out of 60,000 workers engaged in the production of airframes and engines, about 25,000 are working for private companies, and the balance in the nationalised factories. Not all of those working in the nationalised factories are working on aircraft, and those that are seem to be employed largely on sub-contracting for the private companies, especially for Dassault.

★

The French aircraft industry is not large, it employs about a third of the numbers working on airframe and engine manufacture in this country. Since its size puts a close limit on the different types of aircraft that it can produce, the greatest efforts are being concentrated on the production of fighter aircraft. A certain amount of work is being put into the design of civil aircraft and troop transports, but none into really big structures like bombers. But when it comes to deciding on the types of fighters of which France stands in most need, new problems arise. France is exposed to the risk of attack by land forces as well as from the air; so strategic considerations dictate two separate needs—for aircraft capable of high-altitude interception and for machines to be used in ground attack. There is much discussion whether absolute performance is a more important objective than securing the greatest number of aircraft and keeping them as easy as possible to operate. On the whole, the French aim at producing aircraft and engines that are simple to turn out in quantity and do not rest on critical materials that might become scarce in an

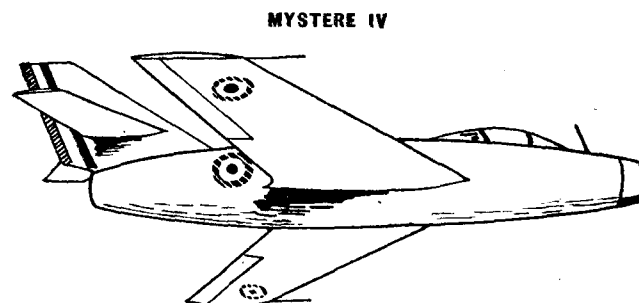


VAUTOUR
Sonic fighter-bomber built by S. N. du Sud-Ouest. Powered by two Atar jet engines; first flew last October.

emergency. In order to get aircraft in numbers, the French Air Force is prepared to compromise on a higher fuel consumption and a shorter range and combat life than would meet British or American standards.

It remains to be proved whether these ideas are sound. Certainly, engineers in Britain are convinced that a simple, cheaply built jet engine is impossible. They would maintain that the complex design and high-grade materials in a modern British engine give it more than a good fuel consumption; they would claim that these are the essentials of high performance, and that performance will suffer if they are reduced. The argument is important, for an aircraft is only as good as its engines. Most of the jet engines used in France come from Hispano-Suiza, a private company, and are built to

Rolls-Royce designs. The nationalised engine company, Société Nationale d'Etude et de Construction de Moteurs d'Aviation (SNECMA) has evolved the Atar range of jet engines, some of which are coming into service, but there is a difference of opinion about the design, which is planned with simplicity as the first consideration. At the other end of the scale, another private company, Turbomeca has developed a unique



MYSTÈRE IV
Sonic Interceptor fighter built by Avions Marcel Dassault. Powered by a Hispano-Suiza Tay, to be replaced later by an Avon. More than 200 Mystère IVs have been ordered by the Americans for Nato. First flew last September; delivery due to begin next summer.

range of miniature jet engines giving from 300 to 900 pounds thrust. French airframe designers have already found a surprising number of applications for them and the designs have been licensed in a number of other countries.

★

The French industry put its products on show at Paris last week, ending with a flying display during the week-end. The most important French aircraft there was undoubtedly the Mystère IV. This is an interceptor fighter built by Dassault, roughly equal in performance to the British Swift or Hunter. This spring the Americans placed an order for the Mystère IV for Nato forces, worth about \$86 million, which will cover the production of about 200 aircraft. The company has undertaken to deliver the first Mystères by June next year. The first of them will have French-built Rolls-Royce Tay engines giving rather more than 6,000 pounds thrust, but will eventually be fitted, like the Swift and Hunter, with Rolls-Royce Avons which Hispano-Suiza may be able to deliver in two years' time. This change will mean a further improvement in the Mystère's performance.

The Mystère IV has been evolved from a family of several generations of fighters in much the same way as modern British aircraft; the Dassault company has overtaken the technical lead of the British companies not by inspiration but by intensive development. The Mystère IV first flew last September, within eleven months of the time when drawings were first begun. To do this the factory and drawing office worked continuous three shifts, and an exacting schedule is now in force to deliver the aircraft on the dates promised

next June. Development at such pressure is remarkable in the aircraft industries of the world; should Dassault continue at this pace with the same success, it will be a competitor to be reckoned with.

The Mystère is, however, a conventional aircraft in this sense: its power, weight and intricacy differ relatively slightly from those of similar aircraft produced in other countries. In two other military aircraft, an attempt has been made to meet the requirements of simplicity of production and high, if transient, performance. The South-West region factories have produced the Vautour, a sonic* twin-engined fighter bomber for ground attack and also, it is hoped, capable of adaptation into a high-altitude all-weather fighter heavily equipped with radar. Whether it is possible to design one aircraft to fulfil successfully two such different roles, has yet to be demonstrated, for the Vautour first flew only a few months ago. A "pre-series" order has been placed in order to get experience of the Vautour under service conditions. Such orders usually cover the production of 10 to 20 machines.

The second of these aircraft, the Trident, was designed by the same group of factories. It is an experimental aircraft, designed to work even if France should again be invaded and its airfields over-run. Modern jet fighters need long and elaborate runways for take-off and landing, whereas the French air force would in such circumstances need fighters that can fly from the fields. The Trident is powered by a battery of rockets in the fuselage, with two small Turbomeca jets on the wing-tips to bring it back to land. Rocket propulsion in a piloted aircraft is largely untried and presumably dangerous; when the Trident was demonstrated publicly, only the jet engines were used. But the high speeds of well above 1,000 miles an hour of which rocket-powered aircraft are capable and the growing conviction in many quarters that lighter and not heavier high-speed fighters are needed, gives the Trident international significance. The work on ram-jets being done by René Leduc et Fils has much the same object and on a less ambitious scale, the Baroudeur jet fighter designed by the South Eastern region group is intended to use grass airfields.

★

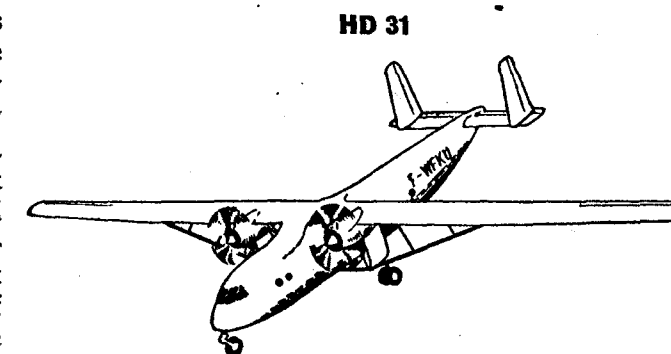
Part of the French pre-occupation with cheapness and ease of construction stems from the difficulty of getting money for military aircraft, as well as from the strategic desirability of dispensing with big runways. The French Air Force budget has rarely been voted without severe cuts, and orders already placed have often been reduced, sometimes drastically. In such an

* The term "sonic" is now applied to aircraft that can reach Mach 1 (the speed of sound at any given altitude). The term "supersonic" is used to describe the future aircraft that may fly consistently at speeds of more than Mach 1.

atmosphere of uncertainty, production becomes impossible to plan, especially for the company faced with the responsibility of placing orders for sub-contracts and for materials. It is not unknown for orders to be reduced by as much as half between the time they were first signed and the date when the aircraft came due for delivery. In addition, because of persistent delays in voting the budget, the Air Ministry rarely knows how much money it will get and when. Orders are often placed in instalments, for the original drawings, for tooling and so on. Since each purchase, from ingot to finished aeroplane, pays a *taxe du transaction* that starts at 1 per cent and increases with the degree of fabrication, French costs tend to be about 20 per cent higher than British, although still well below American, and this reduces the opportunity for exporting aircraft except in special circumstances.

★

American aid has ensured that the Mystère IV will see service with the minimum of delay, but the industry cannot look beyond this machine with any degree of certainty. Yet it would be an international tragedy if, after achieving so much in so short a time, French



HD 31
Civil transport designed for use in North and Central Africa by Société Anonyme des Avions Hurel-Dubois. Intended to carry up to 42 passengers. Its thin wings are unconventional, and are intended to secure remarkably low operating costs. Powered by two Curtiss-Wright Cyclone engines; first flew in January.

aircraft design were to slip back, through lack of financial support, into frittering away unquestioned technical ability on unlikely prototypes. A modern aircraft industry is something of a luxury that not all countries can afford, and the most efficient is bound to be costly. The French aircraft industry, as at present organised makes the worst of the both worlds—neither efficiently nationalised nor capable of giving effective scope to the talents of independent designers and builders. To rationalise this hybrid so that concerns most deserving of support can rely on orders big enough to keep in business will not be easy; it involves politics of the most excitable kind. Yet it may be the only way of ensuring that the Mystère is the first of a new generation and not the single offspring of an immense creative effort.

Towards Safer Railways

ON October 8, 1952, just after eight o'clock in the morning with an autumn fog rapidly clearing, a Perth to Euston express ran through a colour light distant signal at caution and two semaphore signals at danger at the northern approaches to Harrow and Wealdstone station. It collided with the rear of a suburban train standing in the station, and its derailed engine was almost immediately struck by a Euston-Liverpool train travelling north. In this double collision thirteen railway coaches were compressed into a compact heap of wreckage about 45 yards long, 18 yards wide, and 30 feet high—a shambles in which 112 people lost their lives, and 157 people were taken to hospital, many with serious injuries. These are dreadful losses, but it is not their size alone that makes them so; the roads devour life and limb in greater number, but not in the same instantaneous and devastating way. Last year a billion passenger journeys were made on British railways, and 109 passengers lost their lives—with a single exception all at Harrow. A one in ten million chance of survival can hardly be called unreasonably dangerous; but it is no argument for complacency.

Colonel Wilson's report on the Harrow disaster—with the evidence admirably marshalled and the logic of its conclusions tempered with scrupulous fairness to all the railway servants who were involved—confirms the finding that he announced at the end of the inquiry. The driver of the Perth train for some unexplained reason did not obey the indications of the three signals; the signalman had done his work properly and complied with the regulations; and once the first collision had occurred there was no means of stopping the second. So the second most grievous accident on British railways (the first at Gretna in which 227 persons lost their lives in 1915 was caused by the failure of signalmen) was one which might have been prevented by a system of automatic train control—more accurately described as warning control. Since 1912, 640 train accidents have been investigated, in which 1,416 people were killed; 66 of these accidents might have been prevented or mitigated by warning control, and 399 lives might have been saved. Warning control should not be confused with the trainstop equipment which is provided on London Transport and other urban electric railways; it is a system intended for main railway lines. Nor is it the one missing component that would assure complete safety on the railways. It does not by itself reduce the risk of signalmen's errors; it reduces the risk that drivers will run through adverse signals. Yet there is no guarantee that its warning will be properly heeded. In 1940 there was a derailment at Norton Fitzwarren on the former Great Western line in which 27 people were killed; by mistake or miscalculation the driver cancelled the warning (as any main line system must allow him to do) and disregarded the

caution that the warning equipment had conveyed to him.

In the past, there has been some ground for dissatisfaction at the speed with which some of the former railway companies were prepared to move in installing warning control equipment. The Great Western Railway began to develop its system of warning control as early as 1905; it has proved its worth as a simple and robust apparatus, but one that the Railway Executive, not without good technical grounds, held to be capable of improvement. The GWR system operates in conjunction with the "distant" signal—the fishtail signal of boyhood memory which to-day is more likely to be a colour light signal with a focused beam to give a clear indication in brilliant sunshine or thick weather. When the distant signal is at "caution"—the fishtail horizontal or the colour light showing yellow—the driver is warned to reduce speed so that he can stop at the next "home" signal if it is "on." When a Western train approaches a distant signal, its aspect is indicated in the engine cab—by a short bell ring if the signal is clear or by a blast on a hooter if it is at caution. These cab indications are conveyed from a steel ramp fixed between the running rails through which an electric current is passed when the lineside signal is clear. If the lineside signal is at caution (or if the apparatus has failed) the contact shoe on the locomotive is not energised; the hooter sounds and the train brakes are applied. The driver can, however, cancel the brake application by pressing a button and resume full control of the train; it is, indeed, essential for good operating reasons that he should be able to do so.

The former LMS railway experimented on the Tilbury and Southend line with a second system of warning control. This is a magnetic system which unlike the GWR system does not depend on physical contact with a ramp. As the engine approaches a distant signal, it first passes over a permanent magnet between the rails and then over an electromagnet a few yards further on. The first magnet opens a valve which sounds a horn; the second closes the valve if the signal is clear and the horn stops with a short hoot. If the signal is at caution the horn continues to sound and the brakes begin to be applied, though the driver can cancel their automatic application by pressing a vigilance button.

★

Since 1948, the Railway Executive have been engaged in developing a warning control apparatus that would combine the best features of the two systems already in use. Many disconcerting technical troubles were met; it was not, indeed, until nine days after the Harrow disaster that a final prototype was given a first

trial. By March this year, 54 locomotives had been fitted with the apparatus, which is now on large-scale test on the down main line of the Eastern Region between Barnet and Huntingdon. To judge from the chief inspector's report on the Harrow accident, this apparatus promises to answer the need, though the decision to test it for at least twelve months on a high-speed line before adopting it as a future standard equipment for British Railways as a whole is clearly wise. If and when the chief inspecting officer is fully satisfied with the efficiency and reliability of the system, the British Transport Commission will proceed with its installation. The Railway Executive contemplates two plans. The first, to take five years and cost £7½ million, would equip 1,332 miles of route, including the London to Scotland east and west coast routes, Euston to Birmingham, Manchester and Liverpool, Liverpool Street to Norwich, and Waterloo to Exeter, Southampton and Bournemouth. The second part of the scheme would extend the system over another 4,000 route miles, bringing the total cost up to nearly £17½ million. On its completion nearly 35 per cent of the total route mileage of British Railways would be equipped with

warning control, and in effect all the main lines carrying heavy passenger traffic.

Thus, after many years of experiment and urging by the railway inspectorate, automatic train control has been adopted as a standard feature of safety equipment for British Railways as a whole. The figures given above show that it will be costly, and the full scheme will involve annual charges of £2¼ million. It is not a guarantee of absolute safety on the railways. Rather it should be regarded as a special extension of a broad programme of signalling modernisation including the provision of more colour light signals (despite the tragedies at Harrow last year and at Bourne End in 1945 these have proved their great worth in improving safety on the railways) and the extension of electrical track circuiting and block controls to prevent mistakes by signalmen. No one part of this work can merit an absolute priority over the rest; they combine together to provide a modern standard of safety which the railway traveller is entitled to expect. When all elaborate technical provision has been made to safeguard against errors, safety will still rest on the integrity and vigilance of signalmen, signal engineers, and locomotive drivers.

Business Notes

Soft Pedal on Funding

THE symphony of flexible monetary policy, which some people had expected to be massively supported by the deep bass notes of big Treasury funding operations, is being provided after all with only a rather spasmodic *obbligato* in the high register. Twice within the past month the Treasury has shown its unwillingness to provide anything more than a light accompaniment. Early last month, when most people expected it to make a major conversion offer to holders of the £810 million of 2½ per cent War Bonds, 1952-54, that finally mature on March 1st next, and perhaps to push the replacement date beyond the 1960 date chosen for the issue of last spring, it merely repeated the earlier tactics with a modest £100 million offer for cash. The market audience thereupon deduced that the deep sustained notes were being held back for a grand finale in the autumn; and it thereby made a double mistake. This week there came another toot from the high treble. On Tuesday the Treasury announced that, until July 17th, holders of the 1952-54 bonds may convert at par into the 1954-56 War Bonds.

This is admittedly a further instalment in the slow approach to the problem of the coming maturities, which also include the £577 million of 1½ per cent Serial Funding Stock, 1953—due in mid-November, and heavily held by the banks. But it is hardly a "funding" operation. The

descent from a 1960 stock yielding just under 3 per cent to a "money market" stock yielding roughly 2½ per cent for just over three years is not, moreover, particularly alluring to the banking community for which it was presumably made. The discount market, currently enjoying good margins on its bill business, now disdains small margins on bonds. And the banks, some of whom may perhaps be a shade less unresponsive (though not all of them still have holdings of the 1952-54 bonds), are naturally more concerned to know how the Treasury will deal with their much more substantial holdings of the 1953 Serial Funding stock. While the fate of this stock remains uncertain, they cannot be expected to rush enthusiastically into an optional conversion that is not made demonstrably attractive. At Monday's close, the bid price of the 1952-54 bonds (99½) was the same as the offered price of the 1954-56 bonds; on this basis the only sweetener is the interest "turn" represented by the fact that converters will secure their six months interest next year a fortnight earlier, and banks and brokers get 6d. commission.

Harmonising with Reflation

ON present indications, it seems that if the conversions are substantial, they will be mainly those of the "departments," which have of course been following the usual practice of absorbing the nearest maturities. And the

Government broker will soon have another stock with which to supply his "taps" when it appears timely to reopen them. This soft pedalling of genuine funding, the market reasons, argues official confidence in the future of gilt-edged. That may be the explanation. Another one, not necessarily consistent with it, is that the light *obligato* matches better the soothing tones of inflationary budgeting.

Meanwhile, if he listens carefully, the connoisseur may just discern the limited performance assigned to the discount market in this orchestra of flexible money. While the commercial bill rate sounds its monotone (at a pegged 3 per cent, despite the restiveness of some of the performers), the only scope for variation is in the Treasury bill rate. Flexibility here can be discerned in a quiet little dirge encompassed within about three or four semitones. The note actually dropped a full tone at last week's tender (2d. per cent on the market's bid price, and $\frac{1}{2}$ per cent off the discount rate—to an average of £2 6s. 8.48d. per cent, the lowest for more than a year). But such variations are to be construed at present rather as a modest token of flexibility than as a harbinger of dramatic changes in key.

Taking Stock of Television

BOTH supporters and opponents of sponsored television services may draw their own encouragement from the first report of the Television Advisory Committee, published this week after much delay. The committee was asked to report on the number of channels in the ether that would be available for television transmission. Five of the wavebands allotted to Britain under international agreement, each containing a number of channels, are technically suitable, but when the committee came to examine them, it could find only two channels in one of these bands free for immediate use. Within those two channels only three or four high power stations could be operated, which would cover not more than half the population, plus some low power stations in remote parts of the country. The few low-powered stations would be of little interest to commercial television, and might be used to complete the BBC "first programme" television coverage. The higher-powered stations in these channels, and possibly other stations in channels that might be freed in this band, could be allotted to the BBC for a second programme or they could be licensed to commercial stations.

Only recently has the BBC, whose chairman was a member of the Television Advisory Committee, announced any plans for introducing a second programme, and it does not automatically follow that it will be allocated the extra channels that it would need for this purpose. The present BBC television service occupies all the five transmission channels contained in what is known as Band One; each of its five high-powered transmitters uses a different channel, and with the medium and low-powered transmitters already planned its services would make "virtually full" use of available frequency channels in the band. Band Two being too narrow for television transmission, further expansion in the "very high frequency" range now employed calls for the use of Band Three, since Bands Four and Five are in the "ultra-high frequency" range. But business users and navigation services have nibbled into Band Three so as

to leave free only the two of its eight channels. If a third channel on Band Three could be freed for television, then the Committee believed that a second network, of 18 stations, could be set up that would cover as much as 70 per cent of the population. It has recommended that this extra channel should be released as soon as possible; also that the whole of this waveband should eventually be cleared for television purposes, and if possible extended.

How Many Stations?

IF the British radio industry were in a position to provide equipment to transmit and receive pictures using the ultra-high frequencies of Bands Four and Five, television services would no longer have to be limited, as they are at present, to the very high frequencies of Bands One to Three. There is room in these ultra-high frequency wavebands for as many as 50 extra stations. Nor does their use present any special difficulties, for such frequencies are used by many American stations and the seven different services put out in New York use channels from Bands One, Three and Five. But since such frequencies have never been used in this country, the British radio industry has no experience and no facilities for making the necessary components in the quantities needed, and it would probably need three years to provide them.

It is the absence of ultra-high frequency equipment, rather than the somewhat higher cost of transmitting in those frequencies, that limits the number of services that can be licensed. There may, however, be some doubt about whether the BBC is making the most economical use of all its five channels in Band One. The existing arrangement was chosen by the BBC because of its convenience, and need not necessarily be the final answer. This is a point that the Television Advisory Committee may be asked to re-examine.

The most important finding of the report is that there is unquestionably room for two British television networks with the channels immediately available, and for more when the radio industry can produce the necessary equipment. The second network would necessarily be incomplete in coverage, but it would be sufficient to make a start with commercial transmission. Stations on these frequencies could be completed within twelve months of receiving a licence. The BBC may therefore be obliged to commit itself to the introduction of a second programme much earlier than it has so far suggested, if it is to make out a case for the refusal of these frequencies to commercial applicants. Whether its immediate financial prospects would make such a programme possible is another matter.

Australia Eases Import Controls

THE Australian government has decided that, in view of the substantial improvement that has taken place in the balance of payments and in the state of the external reserve, further relaxations can be made in restrictions on

imports into Australia. These concessions, which are already in operation, do not apply to imports from dollar and Japanese sources. Category "A" goods from other sources, which until July 1 last were being licensed for import on the basis of 70 per cent of the value imported in the year 1950-51, are now being licensed on the basis of 80 per cent of that value. This group includes motor chassis, wire netting, chemicals, photographic films and iron and steel goods. Category "B" goods, which include cotton piece goods, tobacco, textiles and household goods, are to have their import licences stepped up from 30 to 40 per cent of imports in the base year. This is the second relaxation made by Australia in the import restrictions that were introduced early in 1952; the effect of those restrictions was to cut down British exports to Australia by nearly two-thirds of what they had been in the previous year. In announcing the relaxations the Acting Prime Minister, Mr Fadden, suggested that a further relaxation might be expected later in the year.

These concessions appear wholly justified by the remarkable improvement that has taken place in Australia's external reserves. The total of these reserves, including Commonwealth Bank balances in London, gold and external working balances of commercial banks, fell to a low point of about £240 million in September, 1952. They are now probably around £400 million. The major factor in this recovery has been the growth of the wool cheque, which for the season just ended amounted to £300 million, the second largest in Australia's history. Wool prices are keeping up remarkably well, which promises favourably for the wool season 1953-54, the first sales for which are due in the early autumn. In view of the considerable improvement that has occurred in its external reserves, Australia may find some difficulty in continuing to justify the discriminatory nature of its import restrictions when the matter is next considered by the signatories of the General Agreement on Tariff and Trade; their representatives meet in Geneva in September. A special plea for less discrimination will certainly be made on behalf of Japan, whose direct trade with Australia now shows a substantial excess of purchases over sales—and this at a time when Japan is embarrassed by a shortage of sterling.

British Investment in Canada

ANOTHER project is announced this week for the participation of British capital in the development of Canada. The London group that is participating in this venture is headed by S. G. Warburg & Co. and Helbert Wagg & Co. and includes Glyn, Mills & Co. on behalf of the "Three Banks" group and a number of institutional investors. There is also a New York group headed by Kuhn Loeb. The company Canadian interests are also participating. The company that has been formed by this triangular international galaxy of bankers is appropriately called the Triarch Corporation, Limited. It has an authorised capital of \$10 million, of which 10 per cent is being issued for the time being. It will have its headquarters in Toronto. The object of the company is "to provide finance and technical experience

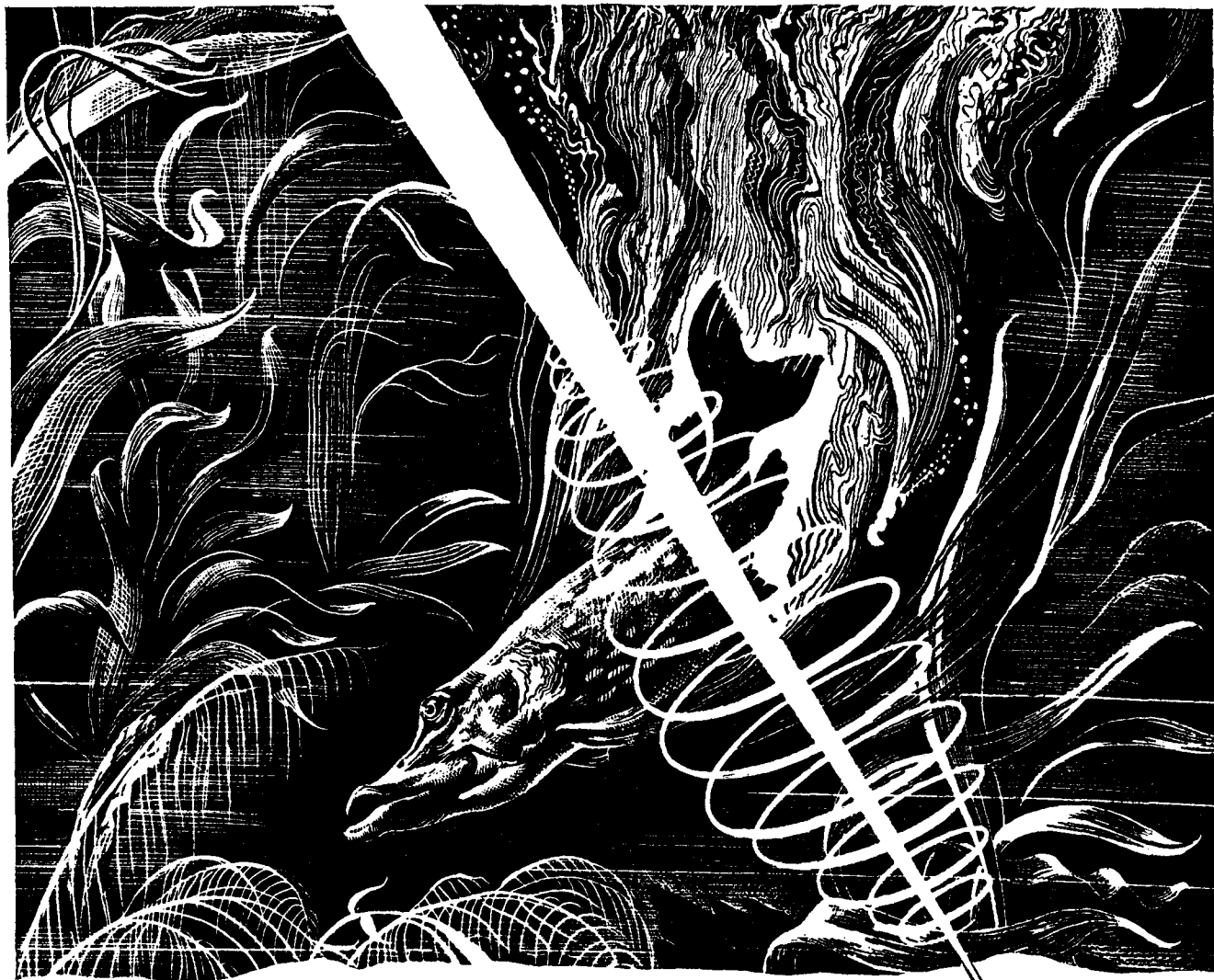
for the development of the natural resources and trade and industry of Canada"—a rather wider definition of functions than that given to some of the other recent projects for the participation of British capital in Canadian development. These ventures include United North Atlantic Securities, in which Robert Benson Lonsdale and Rothschilds have taken an interest, the Newfoundland Corporation, in which Rothschilds, Morgan Grenfell, Schröders and Hambros are interested, and the participation taken by Barings and Morgans in the Toronto investment firm of Harris and Partners.

The total of new investment in Canada is beginning to reach appreciable dimensions. The Economic Secretary to the Treasury, Mr Maudling, announced in Parliament recently that some £17½ million worth of dollars had already been sanctioned this year for this purpose. All of this, presumably, will have been provided in dollars at the official rate by the Bank of England. In addition, some dollars for investment in Canada have been made available through a tortuous backdoor route that involves the purchase of blocked Deutschmarks, the sale of these for Swiss francs, and the conversion of the Swiss francs into Canadian dollars. This tangled web of operations can be openly spun with the permission of the Bank of England and at present rates ultimately provides Canadian dollars at a price about 6 per cent dearer than the official parity. The flow of investment into Canada should make even greater progress as the Canadian authorities find it possible to relax the present restrictions on switching Canadian securities in London, restrictions that still require the proceeds of sales of such securities by British residents to be automatically applied to repaying the wartime interest-free loan made by the Canadian to the British Government. The amount of that loan, originally \$1,000 million, has now been reduced to \$200 million and it should not be long before these shackles on London switching of Canadian securities and on new British investment in Canada can be removed.

Coal Prices and Wages

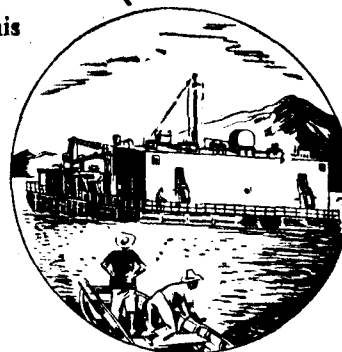
THE Minister of Fuel and Power this week rearranged domestic coal prices to make the duff that many householders have to take at least rather cheaper by comparison with the large coals that they want but cannot get; and the miners went ca'canny over proposals to demand a substantial increase in wages. Neither gift horse should be looked in the mouth. It is tempting, perhaps, to wonder if the Ministry and the National Coal Board still hold that "nobody can be expected to pay what anthracite costs to produce," and to speculate on how much coking coal is being sold at how much loss; but this week's little price change should make the contents of the average coalcellar less expensive if no less depressing. Equally, the National Union of Mineworkers promised to consider a claim for the industry's day wage men and set aside a suggestion from South Wales that investigation of the industry's wage structure should be hastened; but the union executive showed a general moderation and an anxious concern for their industry's internal weaknesses and commercial future that many other unions today do not.

Sir Hubert Houldsworth, addressing the miners, bluntly



Between privation and plenty, between misery and freedom, stands the power barrier. THE BRUSH GROUP bursts through this barrier with all the great resources of modern skill to give the world those vital raw materials which bring life and hope to its peoples. At this very moment Shell are drilling for oil at a depth of nearly two miles beneath the bed of a lake in Venezuela, using a diesel-electric drilling barge—a floating power station, the first of its kind ever built in Britain.

THE BRUSH GROUP is proud to share in this exciting venture. For the main power plant consists of four 12-cylinder diesel engines made by Mirrlees, Bickerton & Day Ltd., a member of the Group.



BRUSH through the Power Barrier

On land, on water (and now even under the water), THE BRUSH GROUP is bursting through the power barrier—exporting the power which assists the march to true civilization.

THE BRUSH GROUP

Manufacturers of diesel engines and electrical equipment for agricultural, traction, industrial and marine purposes.

The Brush Electrical Engineering Co. Ltd. • Petters Ltd. • J. and H. McLaren Ltd.
The National Gas and Oil Engine Co. Ltd. • Mirrlees, Bickerton and Day Ltd.

DUKE'S COURT • DUKE STREET • ST. JAMES'S • LONDON S.W.1 • AND THROUGHOUT THE WORLD

described the fall in the number of shifts worked this year, owing to higher absenteeism, as the "sporadic, unofficial, and unannounced" taking of an extra week's holiday, on top of the two weeks and six public holidays for which the miners are paid in the year. This decline in time worked—equivalent, apart from the Coronation, to two shifts for each man in the industry during the first 24 weeks of this year, or some 1½ million tons of coal—is perhaps the most important factor in the disappointing production so far this year. So far as the five-day week is concerned, the increase in absenteeism is wholly due to higher "involuntary absenteeism," for which a recognised excuse is accepted. In the early months of the year, influenza hit the industry hard. But a more important contributory cause may have been an alteration in the conditions by which men occasionally absent can nevertheless qualify for the attendance bonus in pay.

There is no evidence that absenteeism in mining is higher than in other industries. It happens, however, to be measured in mining; and it happens, in mining, to be directly more important to a larger proportion of the community than absenteeism in other jobs. But that importance to the community—and the arduousness and danger of coalmining—is at present fairly recognised by the position that miners hold at the top of the wage ladder, by their improved holidays, pensions, supplementary injuries assistance, subsidised transport, and concessionary coal. The moral terms in which appeals in the coal industry tend to be couched sometimes sound odd to people in other industries; but they sometimes work, too. Sir Hubert Houldsworth's view of the industry's united objective—"to give real and not transient security to those employed in the industry, and to assist in providing security for the whole community" should commend itself to the miners.

Bank Interim Raised

THE season of half-yearly bank dividends has produced one welcome surprise. The National Provincial Bank, which last January put heart into bank shareholders and heart-searching into rival board-rooms by breaking the long tradition of stability in bank dividends, has gone a step further. That is to say, it has raised its interim to 8½ per cent, or 1 per cent more than was paid twelve months ago, and thereby has maintained the half-year's payment at the increased level paid for the second half of 1952. Last January's move, which raised the full year's distribution by 1 per cent above the 15 per cent that had been paid since 1932, had left the market in doubt whether the improvement would be extended to the interim also. That it had preferred the cautious view was apparent this week, when the shares rose sharply on the announcement.

The heart-searching among the other banks has not yet produced any visible results, for the remaining six of the Big Seven have all maintained their payments at the customary level. But if any results are to be expected (and market hopes have, of course, been revived this week) they were never likely to reveal themselves first in the interim payments—despite the fact that this past half-year has undoubtedly been a favourable one for bank earnings. The average level of bank deposits has been rather higher

than in the corresponding period last year, and although advances have been running appreciably lower, the banks have been enjoying the full benefit of the increases in rates charged to borrowers as well as in service charges—without, however, facing the once apprehended worsening of bad debts experience. Shareholders should not expect, however, that this present trend of earnings will provoke any general move into line with the National Provincial. Some bank chairmen, indeed, made it very plain at the last annual meetings that they had no intention of moving in the early future.

German Debts Unsettled

JUST before last week-end, the German debt settlement dragged its weary length a few inches nearer the final goal of coupon payments. In the United States the Senate Foreign Relations Committee approved the settlement more promptly than had been expected and in Germany, after the hitch over the Franco-German settlement, the debt agreements should be signed by the President before the middle of this month. A resumption of the debt service was finally brought into sight by the formal offer to the holders of the Hamburg State Loan. By prolonging the life of this loan to 1971, by cutting its coupon rate by a quarter (from 6 to 4½ per cent), by waiving one-third of the interest arrears and by funding the remaining arrears, the German authorities observe to the letter the conditions laid down in the general debt settlement.

The prospect of an early resumption of payments on German bonds has, however, been tarnished by procrastination over the Potash loans. The formal offer on the Gold Loan of the Potash Syndicate of Germany does not, in the opinion of the British trustees of this loan, Royal Exchange Assurance, and of the principal British paying agent, J. Henry Schroder and Company, "conform even to the minimum terms laid down" in the general agreement. The German debtors appear to have tried in this offer (the details of which have not been published) to take advantage of the general clause in the settlement that

nothing in this agreement shall prevent any debtor from obtaining, with the consent of his creditors, terms more favourable to the debtor than those specified in this agreement.

With this offer the Potash producers seem to have sent up a trial balloon; they may want, indeed, to proceed by the dreary round of offer and counter-offer, as in the general debt negotiations. The fact that the Potash producers are earning good profits and that one of them recently declared a dividend would make any such prospect of further bargaining particularly distasteful for British creditors.

Mr Snip the Tailor

SINCE Mr Charles Clore's successful bid for the ordinary shares in J. Sears (True-Form) Boot Company, speculators have given even less credence to the value of bricks and mortar as shown in a balance sheet and have

shown an increasingly lively interest in share offers. In the last month or so, most of the rumours have been centred in the shares of some of Britain's leading multiple tailoring concerns. And for once these rumours were based on a firm rock of fact. They were confirmed when the Jacobson family revealed that they had arranged to sell their 51 per cent controlling interest in Jackson the Tailor to Montague Burton and when Sir Henry Price and his family announced that they, too, had arranged to sell their interests in Prices Trust (which through its subsidiaries controls the operations of the Fifty Shilling Tailors) to United Drapery Stores. The 1s. ordinary shares in Jackson the Tailor will be sold at 6s. each (compared with a price of 3s. 6d. only a month ago and, after the rumours had flown about, with 5s. 6d. on the eve of the announcement), but this sale will be completed only when a similar price is offered to other shareholders in Jackson the Tailor and when the holders of at least 90 per cent of the £300,000 equity capital have accepted the offer. Similarly, the sale of Sir Henry Price's one-third interest in the ordinary capital of Prices Trust at 30s. for each 5s. share—a price that is 1s. higher than the current market quotation and as much as 9s. higher than the price quoted two months ago—is made conditional upon the acceptance of the offer by the holders of at least three-quarters of the issued ordinary capital of £776,250 of Prices Trust.

These acquisitions, if carried out in full, would cost Montague Burton about £1,800,000 and United Drapery Stores about £4,657,000—quite large sums to find at a time when the multiple tailors are beginning to recover from the troubles into which they were plunged by the fall in wool prices and a setback in sales. It may be that both Montague Burton and United Drapery Stores may wish to arrange a more rational distribution of their chains of stores across the country once these deals go through. But the directors of neither company can be blind to the point, so clearly demonstrated by Mr Clore, that the real value of freehold and leasehold properties is well in excess of the value put upon such properties in a balance sheet. This is not the only, and perhaps not the main, feature of these two deals. The coincidence of the timing of the two bids is also interesting—even to the point of prompting the question whether one bid was made in answer to the rumours of the other. Neither of the two rivals would presumably care to confront the other except by matching as closely as possible its competitive power.

Vision and the Box-Office

ADMISSIONS to the 410 cinemas owned by the Associated British group were nearly 5½ per cent lower in the year ended March 31st than during the year before; and the group's chairman, Sir Philip Warter, had no hesitation this week in singling out television as the main reason for this loss of business. The number of television licences, Sir Philip points out to the group's shareholders, grew by nearly 50 per cent during the year under review; he adds that "most of the drop" in cinema attendances takes place in the evening performances when most television programmes are broadcast. Sir Philip does not believe that the present total admissions of about 25 million a week

(of which the ABC group accounts for about 3½ million) can be held. Though he is confident that the cinema will continue to retain an important share of entertainment in this country, it is with serious qualifications:

I am sure that during the next few years there will be an inevitable tendency to reduce the existing number of cinemas, either by rationalisation within the industry or by economic necessity.

The group has already equipped a number of its cinemas for three-D and wide-screen processes, though as yet it is not committed to any particular system.

It has sometimes been said that Whitehall would never believe that cinema exhibition was doing badly until ABC passed a dividend. Associated British has furnished no such doleful evidence, even though its group trading profit for the year was some 13 per cent lower at £2,067,776. Net profits for the group were £487,746, against £518,223 in the previous year; and the total dividend is left unchanged at 20 per cent. Sir Philip referred to the continued burden of Entertainments Duty. The minor concessions granted in recent years have mainly benefited the small cinemas, as against the larger cinemas operated by ABC and other major circuits. In fact, Entertainments Duty and the Eady Levy took more from ABC than in the previous year, although its gross box-office takings fell; the final result was that the net takings left to the circuit fell by more than the amount its patrons paid. Associated British has always been less heavily committed to film production than the Rank Organisation, and is continuing to support production on a moderate scale. Accordingly, it receives money from the Eady Levy as a producer while paying it as an exhibitor, but it gains much less on the roundabouts than it loses on the swings.

More Capital for English Electric

HAND in hand with the news of the over-subscription of de Havilland's new issues of preference and ordinary shares came the announcement of another new issue that should prove to be equally successful. English Electric, whose last balance sheet underlined the need for new money by disclosing a bank overdraft of £9.4 million (which has since risen to £12 million) and a rise in the value of stocks by £11½ million to over £46 million, is to raise just over £6½ million from the issue of a debenture stock and of ordinary shares. The debenture issue will consist of a new £2½ million tranche of the 4½ per cent stock (1972-77), of which £3 million was placed privately at par at the beginning of 1952; this stock will be offered to the public at 97½, at which the gross redemption yield to the latest date is just over 4½ per cent. That this stock is expected to command good support from investors is sufficient comment in itself on the decline in coupon rates on industrial debentures that has taken place since the beginning of the year, when Anglo-Iranian made its famous issue at 5 per cent.

The remainder of the new money will be raised by a rights issue of 1,769,365 new £1 ordinary shares; stockholders are offered one new share at 48s. 6d. for every £3 of ordinary stock they now hold. On the assumption that the

ALLIANCE ASSURANCE COMPANY LIMITED



Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL
CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.



Going to Australia or New Zealand?

Business men will find much practical information in the Australia and New Zealand Bank's free travellers' guides to Capital Cities. Each contains city and suburban maps, together with lists of hotels, theatres, public buildings and other points of interest to visitors. These pocket guides cover at present Sydney, Melbourne, Perth, Brisbane and Wellington. Others are in course of preparation. Copies of any of these guides will be gladly sent on application to the Overseas Department:

AUSTRALIA AND NEW ZEALAND
BANK LIMITED

In which are merged
The Bank of Australasia Ltd. and The Union Bank of Australia Ltd.
HEAD OFFICE: 71 CORNHILL, LONDON, E.C.3



Seasonal
Greetings!

Strange things happen
in a British Summer. But
If you really did see Father Christmas
on the pier one day this August you
might well swear off lobster lunches
for ever. Set your mind at rest, though;
this jovial chap is simply our impression
of the business man who has already placed
his order for advertising playing cards
for this Christmas. Have you ever thought
of advertising by playing cards? They
make an admirable gift and are a
very effective way of keeping your name
in mind. Their cost, too, is surprisingly
reasonable. Why not strike a new note
this year? Our designers can incorporate
your name or trademark into an attractive
playing card and the finished product will
have over a hundred years' experience behind it.
But orders must be received by early September
for delivery before Christmas. So please
telephone or write for one of our technical
advisers to call and show
you specimens and answer
all your questions.

ADVERTISING
PLAYING CARDS
A
DE LA RUE
PRODUCT

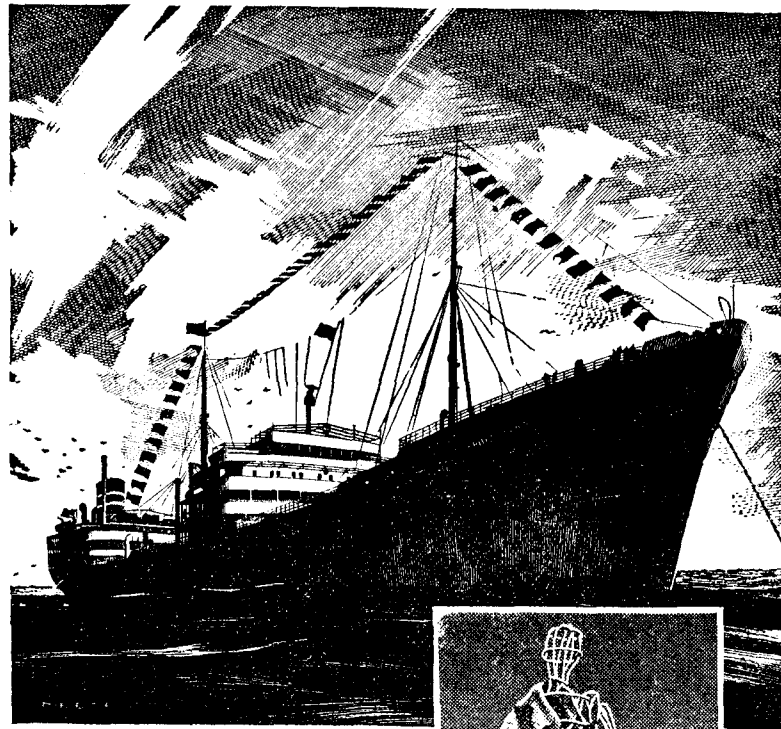
THOMAS DE LA RUE & CO. LTD.,
Stationers Division, 84/86, Regent Street, London, W.1. Tel: Regent 2901

TANKERS AND TEXTILES

OIL is the Proteus of minerals—changing its form, shape and very character under the wizardry of petroleum chemists. It kills insects in your garden and pain at your dentist's. It clothes you and colours your clothes, for oil is one of the raw materials of synthetic textiles and of many textile dyes.

To cope with the demand for oil, the British Tanker Company, shipping subsidiary of Anglo-Iranian, is expanding its already great fleet. The s.s. British Sailor, shown here, went into service in time for the recent Coronation Fleet Review. A carrying capacity of 32,000 tons makes her the biggest tanker under the British flag.

Twelve more of these giants are building or on order to bring oil to the BP refineries where it will be processed for use in industry, agriculture, transport and ordinary homes all over the world.



THE BP SHIELD IS THE SYMBOL OF THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company
LIMITED

whose products include **BP SUPER**—to Banish Pinking



Established in 1845.
All classes of Insurance
transacted including
Fire, Life, Accident,
Motor, Marine and
Aviation. Represented
throughout the world.



Head Offices

North John St. | Lombard St.
LIVERPOOL | LONDON

Finance and Eastern Trade

"Mercantile" service extends not only throughout India but also to every important trading centre in the East.

For sixty years the "Mercantile" has closely studied financial conditions in all Eastern markets. Its accumulated knowledge is at the disposal of British business houses interested in developing Eastern trade.

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15, Gracechurch Street, London, E.C.3.

INDIA—PAKISTAN—BURMA—CEYLON—MALAYA—
SINGAPORE—HONG KONG—CHINA—MAURITIUS—
THAILAND—JAPAN.

last full year's equity dividend of 15 per cent will be maintained, the new shares are offered on a yield basis of 6½ per cent, and this, together with the turn on the current price on the existing stock units of 55s. 6d., should ensure full subscription lists.

Caution from Courtaulds

THE chairman of Courtaulds, Ltd., Sir John Hanbury-Williams, gave shareholders at the company's annual general meeting a characteristically cautious analysis of the prospects of the rayon industry, in somewhat marked contrast to the prevailing mood of optimism. Rayon production has been running at a rate far higher than that recorded even at the peak of the 1951 boom, reaching nearly 37 million pounds in May. But Sir John is not convinced that this state of affairs is likely to continue for any longer than it takes rayon consumers to build up their stocks. It did not prove too easy to reopen the rayon factories that were closed down last summer, and there was some delay before producers were able to meet orders when trade revived last September. Courtaulds, which continued to produce for stock at the beginning of the textile depression in the hope that the fall in demand was temporary, may be understandably anxious not to over-estimate the market a second time.

The rate of rayon cloth production in Lancashire does support the view that some of today's high rayon staple and yarn output is going into stock. Although cloth production in May was far higher than at that time last year, when the industry was heading for the trough of the depression, it is less than 3 per cent higher than in May, 1951, while the production of rayon staple and yarn is running at a rate more than 14 per cent higher than in May, 1951.

There seems no immediate prospect that rayon exports will rise much above their levels in 1951 and thus absorb some of this extra production. As Sir John pointed out, Japan has recently become the world's leading rayon exporter, in spite of import restrictions on textile imports into the Commonwealth. But the British rayon industry, which exports as much as half its output, would do better to meet this competition commercially than to campaign against the relaxation of restrictions that would follow the admission of Japan to the General Agreement on Tariffs and Trade. The threepence a pound that was taken off the price of Courtauld's rayon staple last week is a stronger and more proper counter to Japanese exports than arguments for the retention of trade restrictions.

Capital Issues Contrasts

WHATEVER definition is put upon the term "capital issues," all the published statistics for new issues in the first six months of this year give the same broad, but misleading, impression. It is that the demand for new capital was much higher than for some years past. In the

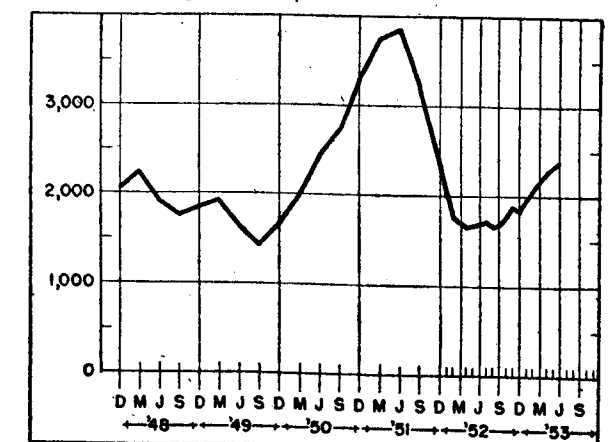
table of capital issues published on page 132, for instance, total new borrowings directly from the public and from shareholders in the first six months of the year are shown at £450 million, compared with £244 million and £147 million respectively in the first six months of 1952 and 1951. But this is a reflection seen in a distorting mirror, for the total figures are swamped by the demands that the Government have made upon the market. No less than £345 million of this total of £450 million was borrowed by the Government—largely through the £125 million issue by the British Electricity Authority and by the two £100 million tranches of the 1960 Exchequer stock. The volume of new money absorbed by public companies in the private sector of the economy fell quite sharply. New direct issues made by British companies (at £55 million) were as much as £21 million lower than similar issues in the first half of 1952 (when, as it happened, electrical manufacturers were particularly heavy borrowers) and only £2 million more than those made in the first six months of 1951.

In the private sector, the fall in raw material prices and the slight recession in trade (together with the high costs of loans either from the banks or from the market) forced some companies to revise their fixed capital development programmes and enabled others to reduce their working capital commitments; and the consequent accretion of liquid balances immediately damped down the need for new permanent capital. Indeed, apart from the special case of the Anglo-Iranian issue, which disproportionately swelled the amount of new money raised on debentures in the first months of the year, the only industrial group that knocked firmly on the door of the capital market was the aircraft industry.

What Productivity Costs

IF politicians use the word "productivity" rather vaguely to denote A Good Thing That Industry Ought to Improve, many engineers use it indiscriminately for various relations between output and certain factors of input.

GOLD AND DOLLAR RESERVES
US DOLLARS [MILLION]



Nevertheless, when used in conjunction with costs, it is an excellent index of productive efficiency, and an important if incomplete measure of industrial efficiency. Sir Charles Goodeve, addressing the Institute of Production Engineers recently, proposed as a useful preliminary to the investigation of productivity (and perhaps as a corrective to some comparisons that have been asked to bear too much weight) a standard method of combining the physical and financial yardsticks. This is to set a "resources consumption rate"—that is to say, the amount of materials, hours of labour-time and machine-time, and share of services required to make a given product—besides the prices of those factors, to give a cost analysis.

Such a table—Sir Charles's example for an "average" ton of pig-iron is reproduced—makes it possible to see at once the factors in which economy would yield the greatest return for managerial effort. For example, to produce this ton of pig iron with 10 per cent fewer man-hours, other things remaining equal, might reduce the total cost by about

THE COST OF MAKING A TON OF PIG IRON

Resource	Consumption Rate	Price	Cost Component
Raw materials, iron ore, etc.	1.8 tons	£4.10s. per ton	£ 8 2 0
Limestone	0.2 tons	£1 per ton	4 0
Fuel—coke	0.85 tons	£5 per ton	4 6 0
(net gas credit)	(65 therms)	(2.4d. per therm)	(18 0)
Labour-time	3.2 manhours	4s. 6d. per hour	14 6
Furnace-time including overheads	0.08 hours	£15 per hour	1 4 0
			£13 16 6

1s. 6d., while a similar economy in furnace-time would save about half-a-crown; to use 10 per cent less limestone would save less than 5d. a ton, but an economy of 10 per cent in coke consumption might save more than 7s. a ton of pig iron. When the economy in one factor—for example, man-hours—can only be achieved by an increase in another—say machine-hours or machine price—it will indicate whether such an increase in the productivity of this factor is worth buying.

Thus the prices shown in the table in effect set the limits of a manager's control, and the limits to which broad comparisons also are subject. For example, an important item in the differences between labour productivity in the United States and Britain is the fact that wages in the United States are three times as high. In Britain, Sir Charles pointed out, new industrial plant costs perhaps two-

Next week's issue of
The Economist
will include the annual
review of
BRITISH INSURANCE

thirds as much as in the United States, though wages are a third as high; the cost of plant in relation to labour here is thus twice as high, which must hamper attempts to raise physical productivity to American levels. It arises, he argued, partly because of the obsolescence of equipment in some plant manufacturers' shops; hence these manufacturers deserve priority for re-equipment and closer co-operation from plant users, to encourage standardisation. Both measures may well be desirable. But the disparity between wage levels, affecting different industries differently in accordance with the varying importance of labour costs, applies to all industries and services and will probably continue to impose a difference in the industrial pattern. Truly, as Sir Charles added, "Every step forward is indeed a much harder one to make here than in a country such as the United States."

Protection for "Free" Sugar

AN international marketing scheme for sugar will be considered in London next week. Unlike the schemes for rubber and tin debated earlier this year, the International Sugar Conference is concerned only with the smaller part of the world trade in sugar, the free market. The larger part has long been regulated by preferential arrangements, such as those between the United States, Cuba and the Philippines, and between Britain and the Commonwealth. Exports of "free" sugar amount to some five million tons yearly, compared with total exports of some 12 million tons and a world production of 35 million tons. The United States, the largest importer, does not come into the free market at all, but Britain, the second largest importer, takes well over one million tons of "free" sugar. Cuba, the largest exporter and a low-cost producer, sells roughly half its exports to the United States at a preferential price, and so is able to offer the rest in the free market at a correspondingly lower price. The preferential markets are to a large extent supplied by high-cost producers, the free market by low-cost producers. Sugar has never held in serious regard the economics of the open market.

The draft of the new agreement, like the 1937 agreement (which is now out of date) seeks to stabilise prices and prevent the accumulation of huge surpluses of sugar, to maintain the size of the free market and give those countries that depend on it a share of any expansion in world consumption. The draft agreement departs from the old by proposing a maximum and minimum price zone in the free market; whenever the free price goes above or below the zone for more than thirty consecutive days export quotas would be automatically increased or lowered. The effectiveness of this provision appears to depend on the zone of prices that is initially set, and on whether the appointed authority could agree to modify it if experience of its working demanded any change.

As the effective working of any commodity agreement demands the widest possible measure of support, it seems a pity that China, potentially an expanding importer, and East Germany, an important exporter, have not been invited to attend. Some form of regulation of the free market is almost certainly desirable, and the prospects of reaching agreement appear favourable.

SHORTER NOTES

Led by Esso and Cleveland, the major oil companies raised the prices of most petroleum products in this country this week by from ½d. to ¾d. a gallon "owing to higher world prices of petroleum products." This follows rises in America last month as the result of a rise of about 9 per cent in the price of crude oil—the first major rise for 6½ years. Although nearly all Britain's imports of crude oil come from the Middle East, where crude prices have not yet been raised, the prices of refined petroleum products vary in accordance with a "Gulf-plus" formula based on prices at the United States Gulf.

The British Transport Commission has decided to appeal against the findings of the Ministry of Transport inquiry into the loss of the motor-vessel *Princess Victoria* in the Irish Sea on January 31. Captain J. D. Reed, the registered manager of the ship, is also appealing against the findings of the court, which held that the vessel was unseaworthy, and

that its loss and that of 133 lives were caused or contributed to by the default of its owners, the Commission and its managers.

Unemployment in Great Britain on June 15th was down to 297,700, no more than 1.4 per cent of the estimated number of employees; the number of persons working short-time in one week of May was 62,000, compared with 112,000 in the February quarterly return; and 50,000 more people were in civil employment in May than in April.

Sales of wholesale textiles fell in May by 5 points to 90, a figure only two points above that recorded for May last year (1950=100). The level of stocks has hardly changed at all during the past four months, at 87; it was in May only one point higher than in April and the same level as that recorded in March. This is well below the value of the stocks being carried during the same period last year, when the index for May stood at 113.

Company Notes

COURTAULDS. Though the full accounts of Courtaulds are scarred by the effects of the recession in the rayon industry, they show many signs of the recovery which began last autumn and which, naturally enough, is given a prominent place in Sir John Hanbury-Williams's statement. By the end of last year the group's factories manufacturing rayon staple were back into full production and more recently the production of textile yarn has been running at the level achieved in the middle of 1951. This recovery came too late to make any clear mark on the profit and loss account, which shows a fall in trading profits from £20½ million to £11½ million; but it may well have been the profits earned in the last half of the financial year that removed the earlier threat that the ordinary dividend might have to be reduced from its customary rate of 11½ per cent. In fact, the consolidated balance sheet reveals the foundations on which recovery was built. Here the most reassuring sign is that stocks, in Sir John's words, "have been reduced to more normal operating levels" and that their book value has fallen from £22.2 million to £17.6 million.

By far the most startling change in the balance sheet, however, is the sudden rise in the net book value of fixed assets from £34 million to nearly £52½ million. Although over half of this net increase—£9½ million—is accounted for by adjustments in accumulated depreciation provisions, the remainder is a reflection of heavy capital outlays during the year. Undeterred by the recession, the group

pushed ahead with its programme of capital expansion, especially in Canada and Mobile, Alabama, where a new factory is being built. The building of this factory will enable Courtaulds to keep its foothold in the United States, now that it has sold its remaining 5 per cent shareholding in American Viscose for just over \$11 million. The group appears to have financed these capital developments by

	1952	1953
Consolidated earnings:—		
Trading profit.....	20,545,094	11,571,160
Total income.....	23,251,344	14,126,178
Depreciation.....	3,434,898	2,754,507
Taxation.....	10,293,449	5,312,810
Net profit.....	8,533,756	6,192,320
Ordinary dividends.....	1,417,500	1,455,000
Ordinary dividends (per cent).....	11½	11½
Fixed assets replacement reserves.....	2,615,597	2,926,993
Stock replacement reserves.....	2,920,000	...
General reserves.....	1,578,923	272,777
Added to group carry forward.....	Dr. 60,219	213,863
Cons. balance sheet:—		
Fixed assets, less depreciation.....	33,998,823	52,426,906
Government securities.....	18,648,966	11,739,313
Net current assets.....	26,073,582	24,991,864
Stocks.....	22,232,311	17,552,112
Cash.....	6,449,126	7,493,432
Reserves.....	52,937,908	65,193,120
Ordinary capital.....	24,000,000	24,000,000

£1 ordinary stock at 40s. yields £5 13s. per cent.

selling part of its holdings of Government securities, for in the consolidated balance sheet their book value is shown to have fallen from £18.6 million to £11.7 million. A pause, if not a halt, in this process of expansion is, however, signalled by the

estimate of outstanding capital commitments at £5½ million, compared with £16 million the year before.

The justification of this programme must be found in Sir John's estimate of future prospects. Here he is reasonably reassuring, though his remarks are qualified by some reservations. He believes that the current rate of deliveries of rayon staple, running at the moment at peak levels, should be maintained this year, but he adds that a small proportion of these deliveries may merely be swelling existing stocks, so that there is a danger that demand may once again fall off. Similarly, the demand for rayon yarn may reflect "over-buying" and Sir John is also obviously worried about the trend in sales in the group's export markets. Perhaps this is why the directors appear to see the future in terms of a factory "on the spot" rather than in terms of exports from this country.

BRITISH PLASTER BOARD.

A few reservations about the future course of trade expressed by Lord Belper in his statement to shareholders of British Plaster Board may explain why the 5s. ordinary stock units (at their current market price of 14s. 3d. xd) still yield 7 per cent. The general improvement in the group's sales appears to have been so strong as to offset the reduction in the prices of building plasters and plaster-board made by the company last autumn, and the group's trading profits have advanced from £1,657,404 to £1,816,559. And, of even greater import for equity shareholders, net profits have risen as well—from £418,883 to £478,428—in spite of further increases in the charges for taxation and depreciation. This advance in profits, together with a reduction in the

book value of stocks (from £1,182,513 to £972,022) and the consequent reinforcement of liquid resources, was immediately and rightly accepted as an opportunity for raising the ordinary dividend from 17½ to 20 per cent.

There are two factors, however, that prevented the market from giving this increase the welcome it might have otherwise provoked. In the first place, there is little sign that the rise in costs (particu-

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	1,657,404	1,816,559
Total income.....	1,707,353	1,888,616
Depreciation.....	299,769	320,507
Taxation.....	840,650	992,270
Net profit.....	418,883	478,428
Ordinary dividends.....	266,523	313,663
Ordinary dividends (per cent).....	17½	20
Retained by subsidiaries.....	19,574	8,626
Revenue reserves.....	100,000	100,000
Added to carry forward.....	27,270	48,472
Cons. balance sheet:—		
Fixed assets, less depreciation.....	6,298,163	6,336,644
Net current assets.....	2,718,461	2,996,408
Stocks.....	1,182,513	972,022
Cash.....	621,375	945,034
Reserves.....	5,780,021	5,952,381
Ordinary capital.....	2,900,925	2,900,925

6s. ordinary stock at 14s. 3d. x.d. yields 7½ per cent.

larly in wages) has been brought to a halt. Secondly, Lord Belper, though he expects sales to be maintained at a high level, points out that "the shortages of other important building materials—particularly of bricks—may possibly arrest the rate of increase in the building of houses and thus tend to curtail the expansion in the sales of building materials, particularly of plasters and plasterboard." If this errs on the side of caution, the company's ordinary stock units should be well worth their present price.

★

E. K. COLE. The impressive industrial and profit record of E. K. Cole, the radio and television manufacturers, remained untarnished in the year to March 31st last. A further advance in the group's trading profits—from £564,025 to

£652,781—was followed by an effective increase in equity dividends. The actual rate of the ordinary dividend was maintained at 25 per cent, but the dividend was paid on a capital of £294,075 as increased by a bonus issue of shares. These figures suggest that the group gained more on the roundabouts of television sales than it lost on the swings of radio sales; the group will have also benefited from defence contracts, which help to swell profits but also to encourage development and research at a low cost to the industry.

There is only one blot on the group's full accounts. It is the incidence of EPL,

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	564,025	652,781
Total income.....	614,025	652,781
Depreciation.....	54,067	69,922
Taxation.....	304,000	400,600
Net profit.....	209,215	134,202
Ordinary dividends.....	33,083	37,494
Ordinary dividends (per cent).....	25	25
General reserve.....	50,000	...
Added to group carry forward.....	99,228	69,665
Cons. balance sheet:—		
Fixed assets, less depreciation.....	392,990	438,814
Net current assets.....	1,683,117	1,800,255
Stocks.....	1,598,693	1,782,929
Cash.....	391,922	458,061
Reserves.....	862,770	904,122
Ordinary capital.....	252,064	294,075

6s. ordinary stock at 17s. 3d. x.d. yields 7½ per cent.

which once more penalises progress. In the consolidated profit and loss account the combined provision for profits tax and EPL has risen from £98,000 to £125,000 and this, together with the rise in the income tax provision (from £206,000 to £275,600), has cut so deeply into gross earnings as to reduce net profits from £209,215 to £134,202. As the group possesses quite ample liquid resources—its cash balances having risen from £391,922 to £458,061 in spite of an increase in the book value of stocks from £1,598,693 to £1,782,929—the directors may see in the death of EPL a chance to pay more to their equity shareholders.

SIX MONTHS' CAPITAL ISSUES (Excluding Conversions)

Six months to June 30	Old Basis*	New Basis†	Six months to June 30	Old Basis*	New Basis†
	1952	1953		1952	1953
Total Borrowing (£ million)			Analysis of Issue Applications (£ thousand)		
Br. Govt.†	134.6	345.0	Br. Govt.†	134,611	345,028
Br. Corp. (a)	Nil	34.5	Br. Corp. (a)	Nil	34,508
Br. Co.'s	76.4	54.9	Dom. & Col. Govt.	17,227	15,263
Br. Total	211.0	434.4	For. Govt.	Nil	Nil
Empire	32.5	15.8	Bank & Ins.	Nil	50
Foreign	Nil	Nil	Oil	19,700	19,700
Total	243.5	450.2	Eng'ing etc.	1,972	3,472
			Electrical	21,192	999
Indices	99.5	184.0	Textiles	50	198
			Motors, etc.	148	7,476
Total Company Issues (£ million)			Breweries	10,373	2,623
Deb.	12.2	28.7	Shipping	1,031	1,645
Pref.	1.0	5.0	Mines	12,429	1,529
Ord.	78.6	21.8	Others	204,515	17,797
Total	91.8	55.5	Total	243,548	450,288
				291,392	484,715

* 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

New account begins: July 15th.
Contango Day: July 15th.
Settlement Day: July 21st.

THE steady, if unspectacular, recovery in the stock market was well maintained in the week to Wednesday's close. Gilt-edged stocks, which were given a fillip by a favourable interpretation of the gold and dollar figures and the prompt over-subscription of the Bristol loan, led this advance. This rally received a momentary check on Tuesday, but the earlier recovery had been strong enough to give old Consols a net gain (in the week to Wednesday's close) of ½ to 60½. Many of the other longer dated stocks made similar slight net gains, but War Loan showed a net loss of ½ to 81½ in the same period. Much of the interest in the gilt-edged market, however, was concentrated upon the "shorts," and within this period War Bonds (1954-56) rose from 99½ to 99½ and the 1955 Serial Funding stock from 100½ to 100½. A good part of these gains was made on Wednesday when the terms of the 2½ per cent War Bonds conversion offer were construed as a sign of official confidence in the market.

Following the lead set in gilt-edged, industrial equities continued to gain ground; in the week to Wednesday's close the *Financial Times* ordinary share index rose from 118.5 to 119.9. Before the week-end the demand for industrial equities remained rather selective, mainly focused upon textile and one or two heavy engineering shares. This demand became stronger and broadened out to include many more of the well-known shares after the news of the relaxation of the Australian import restrictions. The higher price for British petrol and news of an increase in production at Kuwait also helped to stimulate the demand for oil shares. Rubber and tea shares remained quietly steady. Kaffir shares received some slight support before the week-end, but then lost these earlier gains in an idle market later in the week. Diamond shares were marked down sharply when the disappointing gem sales figures were announced.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
July 1	118.5	108.38	4.12	5.94
" 2	118.4	108.41	4.12	5.94
" 3	119.0	108.44	4.12	5.91
" 6	119.6	108.48	4.12	5.88
" 7	119.9	108.45	4.12	5.87
" 8	119.9	108.48	4.12	5.87
1953, High	125.0 (Mar. 6)	108.76 (June 9)	Total bargains July 1	6,271
" Low.	113.9 (May 20)	105.86 (Jan. 5)	" 2	6,154
			" 3	6,171
			" 6	7,960
1952, High	121.5 (Jan. 1)	106.66 (Jan. 9)	" 7	7,062
" Low.	103.1 (June 24)	100.67 (July 31)	" 8	6,802

* July 1, 1925=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 July 8		BRITISH FUNDS AND GUARANTEED STOCKS		Price, July 1, 1953	Price, July 8, 1953	Net Yield, July 8, 1953 £ s. d.	Gross Yield, July 8, 1953 £ s. d.	Prices, 1953 Jan. 1 to July 8		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, July 1, 1953	Price, July 8, 1953	Yield, July 8, 1953 £ s. d.
High	Low							High	Low								
100	99 1/8	War Bonds 2 1/2% '52-54	99 1/8	99 1/8	£ s. d.	£ s. d.	£ s. d.	39/10 1/2	32/3	%	%	ENGINEERING		33/3	34/-	7 7 1	
99 1/8	98 1/8	Exchequer 2 1/2% 1955	99 1/8	99 1/8	1 10 4	2 9 4	14/3	10/10 1/2	3 a	12 b	12 b	B.S.A. £1	11/3	11/9	7 18 4 1/2		
101 1/2	99 1/2	Exchequer 3% 1960	101	101 1/2	1 10 6	2 18 11	55/4 1/2	45/3	5 a	10 b	10 b	Guest Keen N'fold £1	47/6	50/-	6 0 0		
99 1/2	99 1/2	Serial Funding 1 1/2% 1953	99 1/2	99 1/2	1 6 4	2 8 11	50/3	44/6	2 1/2 a	12 1/2 b	12 1/2 b	Vickers £1	48/9	49/6	6 1 3		
99 1/2	98 1/2	Serial Funding 1 1/2% 1954	98 1/2	99 1/2	1 10 6	2 8 1						TEXTILES					
100 1/2	100 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	1 3 0	2 11 7	29/6	21/4 1/2	3 a	7 b	7 b	Bradford Dyers £1	26/6	27/6	7 5 5		
100	98 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	1 8 5	2 10 2 1/2	27/3	21/4 1/2	11 c	12	12	Brit. Celanese 10/-	25/6	26/9	5 19 8 1/2		
100 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 8 6	2 13 7 1/2	48/1 1/2	41/4 1/2	5 a	7 1/2 b	7 1/2 b	Coats (J. & P.) £1	42/6	42/6	5 17 8		
101 1/2	99 1/2	Nat. Def. 3% '54-58	100 1/2	101 1/2	1 8 0	2 14 8 1/2	42/7 1/2	37/3	5 a	6 1/2 b	6 1/2 b	Courtaulds £1	39/3	40/-	5 12 6		
101 1/2	99 1/2	War Loan 3% '55-59	101 1/2	101 1/2	1 9 3	2 17 2 1/2	45/6	38/6	10 b	5 a	5 a	Lancs. Cotton £1	43/-xd	44/-xd	6 16 4 1/2		
96 1/2	91 1/2	Savings Bonds 3% '55-65	95 1/2	94 1/2	2 2 10	3 10 4 1/2	41/10 1/2	49/-	4 a	16 b	16 b	Patons & Baldwins £1	60/6	60/9	6 11 8		
97 1/2	93 1/2	Funding 2 1/2% '56-61	97	97 1/2	1 16 4	3 0 1 1/2	81/6	73/-	7 1/2 a	12 1/2 b	12 1/2 b	Assoc. Elect. £1	73/9	73/9	5 8 6		
91	86 1/2	Funding 3% '59-69	90 1/2	90 1/2	2 8 8	3 18 0	37/6	33/3	2 a	8 b	8 b	Brit. Insulated £1	36/-	36/-	5 11 1		
93 1/2	87 1/2	Funding 3% '66-68	91 1/2	91 1/2	2 6 3	3 14 6 1/2	60/6	54/-	10 b	5 a	5 a	English Elect. £1	57/-	57/-	5 5 3		
100 1/2	98 1/2	Funding 4% '60-90	100 1/2	100 1/2	2 3 1	4 0 2 1/2	46/-	38/6	15 b	3 1/2 a	3 1/2 a	General Elect. £1	40/7 1/2	40/7 1/2	5 10 9 1/2		
80 1/2	85 1/2	Savings Bonds 3% '60-70	89 1/2	89 1/2	2 9 2	3 19 0 1/2						MOTOR & AIRCRAFT					
89	84 1/2	Savings Bonds 2 1/2% '64-67	88 1/2	88 1/2	2 7 11	3 12 6 1/2	19/6	15/6	5 a	6 1/2 b	6 1/2 b	Bristol Aero 10/-	16/-	16/-	6 5 0m		
102 1/2	100 1/2	Victory 4% '20-76	102 1/2	102 1/2	2 0 9	3 17 6 1/2	7/2 1/2	5/8 1/2	17 1/2	4 a	4 a	British Motor 5/-	6/6	6/9	7 14 1 1/2		
87 1/2	82 1/2	Savings Bonds 3% '65-75	86 1/2	85 1/2	2 10 2	3 19 8 1/2	35/10 1/2	23/6	7 1/2 c	7 1/2 c	7 1/2 c	De Havilland £1	24/9	25/3	5 18 10		
92 1/2	86 1/2	Consols 4% aft. Feb. '57	89 1/2	89 1/2	2 8 11	4 8 11 1/2	42/10 1/2	36/6	5 1/2 b	6 a	6 a	Hawker Siddeley £1	41/6xd	41/6xd	5 10 10		
82 1/2	77 1/2	Conv. 3 1/2% aft. April '61	81 1/2	81 1/2	2 7 5	4 6 8 1/2	96/3	78/6	25 c	25 c	25 c	Leyland Motors £1	80/-	80/-	6 5 0		
61 1/2	57 1/2	Treas. 2 1/2% aft. April '75	60 1/2	60 1/2	2 5 8	4 3 5 1/2	29/-	24/-	25 c	2 a	2 a	Raleigh Ind. £1	26/10 1/2	26/10 1/2	6 4 0o		
72 1/2	67 1/2	Treas. 3% aft. April '66	71 1/2	71 1/2	2 6 7	4 5 2 1/2	66/6	58/6	5 a	10 b	10 b	Rolls Royce £1	62/6	63/1 1/2	4 15 1		
92 1/2	87 1/2	Treas. 3 1/2% '77-80	90 1/2	90 1/2	2 8 2	4 1 11 1/2	7/-	5/3 1/2	12 c	12 c	12 c	Standard Motor 5/-	6/3	6/3	9 12 0		
81 1/2	76	Redemption 3% '86-96	80 1/2	80 1/2	2 7 10	3 19 10 1/2	21/4 1/2	19/-	10 a	10 a	10 a	Boots Pure Drug 5/-	20/-	20/-	5 0 0		
82 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52	81 1/2	81 1/2	2 7 6	4 6 7 1/2	29/6	16/6 1/2	22 1/2 b	12 1/2 a	12 1/2 a	Debenhams 4/-	28/3	28/3	5 1 6		
62	58 1/2	Consols 2 1/2%	60 1/2	60 1/2	2 5 4	4 2 6 1/2	97/9	85/7 1/2	5 a	17 1/2 b	17 1/2 b	Lyons (J.) A £1	91/3	91/3	4 18 7		
88 1/2	83 1/2	Br. Elec. 3% '68-73	87 1/2	87 1/2	2 10 0	4 0 0 1/2	57/3	46/3	15 a	35 b	35 b	Marks & Spen. "A" 5/-	55/6	56/9	4 8 1		
86 1/2	82 1/2	Br. Elec. 3% '74-77	86 1/2	86 1/2	2 9 2	3 19 6 1/2	56/-	44/3	55 c	20 a	20 a	Woolworth 5/-	55/-xd	54/9xd	5 0 6		
101 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	101 1/2	101 1/2	2 5 7	4 4 5 1/2						OIL					
100 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	100 1/2	100 1/2	2 6 0	4 4 5 1/2	6 1/2	5 1/2	5 a	30 b	30 b	Anglo-Iranian £1	6 1/2	6 1/2	5 9 10		
92 1/2	88 1/2	Br. Elec. 3 1/2% '76-79	91 1/2	91 1/2	2 7 1	4 0 9 1/2	49/8 1/2	40/11 1/2	2 1/2 a	12 1/2 b	12 1/2 b	Burmah Oil £1	43/9	46/10 1/2	6 8 0		
82 1/2	76 1/2	Br. Trans. 3% '78-88	80 1/2	80 1/2	2 10 0	4 1 3 1/2	£32 1/2	£29 1/2	4 a	12 b	12 b	Royal Dutch 100 fl.	£31 1/2	£31 1/2	4 16 2		
88 1/2	83 1/2	Br. Trans. 3% '68-73	87 1/2	87 1/2	2 10 1	4 0 1 1/2	86/8 1/2	75/7 1/2	5 1/2 a	10 1/2 b	10 1/2 b	Shell Reg. £1	83/9	86/3	6 6 7		
99 1/2	95 1/2	Br. Trans. 4% '72-77	97 1/2	98	2 6 3	4 2 11 1/2	29/1 1/2	23/-	1 1/2 b	5 1/2 a	5 1/2 a	Trinidad L'holds 5/-	24/-	25/-	6 1 3		
81 1/2	76 1/2	Br. Gas 3% '90-95	80 1/2	80 1/2	2 8 3	4 0 0 1/2						SHIPPING					
95 1/2	91 1/2	Br. Gas 3 1/2% '69-71	94 1/2	94 1/2	2 6 3	3 19 8 1/2	44/1 1/2	34/7 1/2	16 c	2 1/2 a	2 1/2 a	Cunard £1	36/-	36/-	8 17 9		
92 1/2	87 1/2	Br. Ir. & St. 3 1/2% '79-81	91 1/2	90 1/2	2 7 10	4 1 2 1/2	62/3	52/9	6 a	14 b	14 b	P. & O. Def. £1	58/-	60/-	6 13 4		

(f) To earliest date. (g) Flat yield. (h) To latest date. (i) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Assumed average life 13 years approximately.

Prices, 1952	Prices, 1953 Jan. 1 to July 8	TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 1, 1953	Price, July 8, 1953	Yield, July 8, 1953
High	Low				
88½	81½	Aust. 3½% '65-69	87½	87½	4 s. d.
92½	86½	N. Zealand 3½% '62-65	93	93	3 19 10½
98½	89½	S. Africa 3½% '54-59	96	96	4 5 4½
68	60½	L.C.C. 3% att. 1920	69½	69½	4 6 4½
91	84	Liverpool 3% '54-64	93	93	3 15 10½
92	85½	P.L.A. 3½% '66-71	91	91	4 4 8½
103½	97½	Agric. Mort. 5% '59-89	103	102	4 12 3½
68½	61½	Austria 4½% '34-59	72	72	4 13 9½
13	5	Chinese 5% 1913	17	17½	Nil
68½	43½	German 5%	53	54	...
86½	45	German 4%	67½	68	...
145½	103	Japan 5% 1907	123	124	...

64 1/4	58 1/4	7 b	7 a	Barclays "B" £1	63/-	63/-	4 8 11
53/6	46/3	6 b	6 a	Lloyds "A" £5, £1 pd.	52/-	52/-	4 11 5
72/6	64/-	8 b	8 a	Midland £1, fully pd.	70/6	71/6	4 9 6
73/-	59/3	8 b	8 a	N. Prov. "B" £5, £1 pd.	68/-	72/6	4 13 10
79/9	70/-	8 b	9 a	Westminster £4, £1 pd.	77/6	79/6	4 10 7
75/-	67/6	10 b	7 a	Alexanders £2, £1 pd.	74/-	75/-	4 13 4
39/-	35/6	5 b	5 a	Nat. Disc. "A" £1	38/9	39/-	5 2 7
46/3	39/-	5 b	5 a	Union Disc. £1	42/-	42/-	4 15 3
39 7/8	32/3	4 b	4 a	Barc. (D.C.&O.) "A" £1	33/6	33/6	4 15 6
49/-	39/3	7 a	9 b	Chart. Bk. of India £1	42/-	41/6	6 14 11 1/2
INSURANCE							
8 1/2	7 1/2	50 a	85 b	Leg. & Gen. £1, 5/- pd	8 1/2	8 1/2	3 19 5
21 1/2	17 1/2	20 a	40 b	Pearl £1, fully pd.	20 1/2	20 1/2	5 6 5
38 1/2	32 1/2	100 c	105 c	Prudential "A" £1	35	35 1/2	6 6 10
BREWERIES, ETC.							
131/6	115/-	33 b	10 a	Bass £1	117/6	117/6	7 6 5
17 7/8	15/9 1/2	15 b	7 a	Distillers 4/-	16/6	16/3	5 10 9
31 1/4	27/-	10 b	7 a	Guinness 10/-	27/6	28/-	6 1 5
10/-	8/0	8 b	4 a	Ind Coops 5/-	8/6	8/3	7 5 5

New York Closing Prices								
	July 1	July 8		July 1	July 8		July 1	July 8
	\$	\$		\$	\$		\$	\$
Balt. & Ohio.	25 1/2	25 1/2	Am. Smelting	31 1/2	32 1/2	Inter. Paper.	51 1/2	51 1/2
Can. Pac.	27	27 1/2	Am. Viscose.	44	44 1/2	Nat. Distill.	18 1/2	18 1/2
N.Y. Cent.	25	25 1/2	Cel. of Amer.	25	25	Sears Roebuck	58 1/2	59 1/2
Pennsyl.	21 1/2	22	Chrysler	72	72 1/2	Shell	70 1/2	71 1/2
Amer. Tel.	153 1/2	154	Gen. Elec.	72	73 1/2	Std. Oil of N.J.	71 1/2	72 1/2
Stand. Gas	18 1/2	18 1/2	Gen. Motor	59 1/2	60 1/2	U.S. Steel.	38 1/2	38 1/2
United Corp.	4 7/8	5	Goodyear	50 1/2	50 1/2	Westinghouse	44 1/2	44 1/2
W. Union Tel.	45 1/2	45	Inter. Nickel	41 1/2	42 1/2	Woolworth	43 1/2	44 1/2

Statistics

The statistical pages will appear weekly, monthly or quarterly as indicated.

BRITISH			OVERSEAS		
Prices and Wages	(M)		Western Europe :		
Production and Consumption	(M)		Production and Trade	(M)	
Manpower	(M)		British Commonwealth	(M)	
External Trade	(M)		Western Europe :		
Financial Statistics	(W)		Prices and Money Supply	(M)	
Industrial Profits	(Q)		United States	(M)	

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	March	April	May	February	March	April	May
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948 = 100	114	117	114	123	110	117	122	124	118	119—120*
Mining and quarrying		"	104	108	109	118	106	112	116	115	111	...
Building and contracting		"	105	101	104	105	96	102	...	...	...	...
Gas, electricity and water		"	116	124	127	134	120	113	151	142	132	...
Manufacturing, total		"	116	121	115	125	112	120	123	126	118	...
Engineering, shipbuilding, electrical goods		"	116	127	127	144	123	130	133	135	...	...
Vehicles		"	121	124	123	131	123	135	136	135	...	...
Chemical trades		"	124	134	131	142	125	129	...	...	...	...
Textiles and clothing		"	117	116	99	110	91	97	120	122	...	...
BASIC MATERIALS												
Production of :												
Coal (1)	W	'000 tons	4,149	4,275	4,331	4,639	4,156	4,438	4,557	4,522	4,365	4,332
Pig-iron	W	"	185	186	202	202	201	201	214	216	213	215
Steel, ingots and castings	W	"	313	301	310	320	305	312	352	351	349	351
Sulphuric acid	M	"	150.2	133.8	125.5	147.6	128.5	113.0	138.3	162.5	159.0	...
Newsprint	W	"	10.46	10.13	10.32	11.94	11.40	11.06	11.79	12.21	11.60	...
Electricity (1)	M	mn. kwh	4,543	4,964	5,166	5,509	4,775	4,584	5,802	5,992	5,269	4,856
MANUFACTURING												
Textile production :												
Cotton yarn, single	W	mn. lb	20.23	20.71	14.82	15.95	12.20	12.57	17.70	18.24	17.48	18.45
Worsted yarn	M	"	18.91	16.61	14.84	13.17	12.23	13.59	17.58	19.09	17.82	...
Rayon, and synthetic fibres, total	M	"	30.94	32.00	23.59	29.74	16.60	19.55	32.74	36.29	32.75	36.9
" " " " " , staple fibre	M	"	14.44	13.93	10.69	13.98	5.53	7.10	15.87	17.21	14.81	17.9
Cotton cloth, woven	W	mn. yds	40.8	42.3	32.5	39.8	31.9	31.9	34.5	35.3	33.8	35.8
Wool fabrics, woven	M	mn. sq yds	37.5	34.8	31.5	30.8	27.0	28.8	33.9	36.1	32.2	...
Engineering production :												
Passenger cars and chassis	W	'000s	10.05	9.15	8.62	8.44	8.81	9.57	10.06	9.62	11.05	12.65
Commercial vehicles and chassis	W	"	5.02	4.96	4.65	4.77	4.55	5.09	5.03	4.04	4.19	4.92
Metal-working machine tools	M	'000 tons	9.63	11.09	12.58	15.36	11.78	11.20	11.94	13.11	...	...
Internal combustion engines	M	'000BHP	298	353	331	368	351	389	307	317	303	...
BUILDING ACTIVITY												
Permanent houses completed (1)												
Total	M	'000s	16.51	16.24	19.99	21.75	17.40	19.49	20.12	28.73	23.26	26.01
For private owners	M	"	2.28	1.88	2.86	2.23	2.36	2.35	3.20	4.51	4.44	4.61
For local housing authorities	M	"	13.64	13.55	16.11	18.24	13.91	16.20	16.05	23.17	17.70	20.15
Other	M	"	0.60	0.81	1.03	1.28	1.14	0.95	0.87	1.05	1.12	1.25
WHOLESALE SALES (1)												
Textile houses :		Av. value 1950 = 100										
Total home sales		"	100	104	90	108	89	90	87	117	96	91
Women's and children's wear		"	100	100	90	107	91	91	91	126	101	94
Men's and boys' wear		"	100	104	82	91	80	90	71	104	92	92
Piece-goods		"	100	103	68	99	63	66	80	90	62	61
RETAIL SALES (1)												
Large retailers :		Weekly av. value 1950 = 100										
All merchandise		"	100	109	117	109	112	116	112	120	118	...
Clothing and footwear		"	100	110	110	96	108	118	83	104	105	...
Household goods		"	100	108	102	105	88	94	94	107	103	...
Independent retailers :												
Clothing and footwear		"	100	100	95	80	95	106	72	85	89	...
Household goods		"	100	112	109	113	99	102	113	113	112	...
STOCKS												
Basic materials :												
Coal, distributed (1)		'000 tons	12,423	16,115	16,311	13,202	13,611	14,986	13,074	12,720	12,812	13,89
Steel		"	995	585	739	546	570	580	770	804	867	...
Copper		"	104.3	113.4	132.0	103.5	107.9	114.1	146.9	149.2	165.4	...
Sulphur		"	81.1	99.4	211.8	105.3	109.9	142.0	180.5	180.2	170.5	...
Newsprint		"	99.0	109.9	189.7	125.2	140.0	148.7	183.1	164.6	158.0	...
Softwood		'000 stds.	217	724	616	669	646	648	635	619	602	...
Textiles :												
Wholesale houses, total (1)		Av. value 1950 = 100	86	129	74	126	121	113	89	87	86	...
Large retailers, clothing and footwear (1)		"	89	106	92	125	123	120	100	112	112	...

(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	986	2,362	1,305	74	...	363	2,180	...	118	478
1951	1,468	1,215	2,859	2,142	508	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											
January	1,080	1,305	3,110	2,205	669	18	939	5,656	536	217	1,038
February	1,556	1,003	3,061	2,081	603	...	932	5,288	499	241	987
March	1,570	997	...	2,313	...	...	...	5,780	...	311	1,098

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												
January	18.9	27.6	8.0	55.0	6.35	157	310	147	105	81.6	373	988.4
February	16.9	24.0	6.5	42.7	4.64	145	291	126	97	...	353	920.9
March	18.7	25.8	6.5	43.9	6.24	165	328	...	...	...	379	990.1
April	17.7	27.6	7.0	45.1	...	...	...	...	...	...	...	981.2
May	17.9	27.9	7.5	47.7	...	...	...	...	...	...	...	997.9

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	806	611	17.21	20.61	135.0	212.8	39.17	28.91
1952	87.5	55.7	336	363	545	478	21.04	20.00	178.4	167.4	35.01	27.71
1953												
January	44.7	66.9	328	322	415	443	13.23	16.12	104.8	162.5	32.31	28.15
February	41.5	65.0	310	281	403	384	...	42.41	114.3	176.8	33.21	29.22
March	44.2	90.2	360	313	476	456	...	...	99.7	155.4	39.78	27.36
April	43.3	81.2	...	301	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

	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	121										
1951	1,016	1,795	1,887	127	386	146	118	109	119	99	116	121										
1952	...	1,862	1,729	120	381	170	121	111	129	101	126	132										
1953																						
January	...	1,870	1,755	144	355	} 175	{ 120	{ 114	} 132	{ 108	{ 128	} 134										
February	...	1,840	1,760	173	344								{ 120	{ 116	} 110	{ 128	} 133					
March	...	1,846	1,767	184	346													{ 119	{ 118	} 115	{ 128	} 133
April	...	1,847	1,752	200	329																	

Financial Statistics

EXCHEQUER RETURNS

For the 4 days to July 4th there was an "above-line" surplus (after allowing for Sinking Funds) of £6,110,000, compared with a deficit of £11,729,000 in the previous week and a surplus of £5,227,000 in the corresponding period last year, bringing the cumulative deficit to £150,310,000 (£195,738,000 in 1952-53). Net expenditure "below-line" absorbed £6,053,000, reducing the total cumulative deficit to £268,599,000 (£350,836,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to July 5, 1952	April 1, 1953 to July 4, 1953	Five days ended July 5, 1952	Four days ended July 4, 1953
Ord. Revenue					
Income Tax	1782,250	285,677	253,326	25,360	14,440
Sur-tax	127,000	22,500	21,800	1,000	700
Death Duties	160,000	41,600	47,100	2,500	1,900
Stamps	52,000	13,850	14,000	1,100	600
Profits Tax & E.P.T.	214,000	76,500	47,100	12,800	4,000
Excess Profits Levy	99,500	...	12,850	...	3,000
Special Contribution and other Inland Revenue	1,000	580	330	40	...
Total Inland Rev.	2435,750	440,707	396,506	42,800	24,640
Customs	1044,300	272,328	275,027	21,295	16,006
Excise	680,480	180,192	179,440	380	2,753
Total Customs and Excise	1724,780	452,520	454,467	21,675	18,759
Motor Duties	69,000	7,008	8,181	634	835
P.O. (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	2,700	3,000	...	...
Sundry Loans	25,000	2,871	2,682	46	667
Miscell.	95,000	31,055	26,760	289	1,354
Total	4368,215	936,860	891,596	65,444	46,255
Ord. Expenditure					
Debt Interest	615,000	135,437	144,209	...	...
Payments to N. Ireland Exchequer	48,000	10,123	11,172	1,360	...
Other Cons. Fund	10,000	3,561	3,672	2,345	2,355
Supply Services	5585,286	976,201	875,786	56,000	37,200
Total	4259,286	1125,721	1034,838	59,706	39,555
Sinking Funds	...	6,877	7,067	511	590
'Above-line' Surplus or Deficit (£m.)		195,738	150,310	+5227	+6110
"Below-line" Net Expenditure		155,098	118,289	10,260	6,053
Total Surplus or Deficit (£m.)		350,836	268,599	-5,033	-57
Net Receipts (£mm) from:					
Tax Certificates	9,723	67,296	4,187	9,831	...
Savings Certificates	8,200	9,300	...	500	...
Defence Bonds	25,981	19,397	1,625	849	...

FLOATING DEBT

(£ million)

Date	Treasury Bills	Tender	Tap	Ways & Means Advances	Public Depts.	Eng. Land	Treas. Deposits by Banks	Total Floating Debt
1952								
July 5	2,910.0	1,440.5	308.9	...	...	...	...	4,659.5
1953								
April 11	2,880.0	1,585.3	243.7	...	...	...	...	4,709.0
" 18	2,950.0	1,542.3	298.6	...	...	...	...	4,791.0
" 25	2,990.0	1,514.8	288.2	...	...	...	...	4,793.0
May								
" 2	3,010.0	1,478.8	256.6	...	...	...	...	4,745.4
" 9	3,030.0	1,462.3	238.6	...	...	...	...	4,734.4
" 15	3,050.0	1,434.2	236.0	...	...	...	...	4,770.2
" 23	3,080.0	1,467.5	247.1	...	...	...	...	4,794.6
" 30	3,100.0	1,440.9	255.1	...	...	...	...	4,796.0
June								
" 6	3,130.0	1,461.9	244.6	0.7	...	...	...	4,837.2
" 13	3,150.0	1,483.0	239.9	...	...	...	...	4,882.0
" 20	3,180.0	1,385.0	277.6	...	...	...	...	4,842.6
" 30	4,597.8	...	227.3	5.0	...	...	...	4,855.1
July 4	3,170	1,438.2	239.8	...	...	...	...	4,848.0

THE MONEY MARKET

CREDIT conditions tightened up considerably in Lombard Street in the week covered by Wednesday's Bank return. Special purchases by the authorities were necessary to save the market from recourse to the Bank at the penalty rate on every day except Wednesday last—when credit was just adequate. On both Friday and Monday funds were especially short, as there were no maturities owing to the fall of the Easter holiday three months ago.

At last week's Treasury bill tender, the Government borrowed on the cheapest terms since April of last year. The competition of outside tenderers in the previous week induced the market to raise its bid by 2d., to £99 8s. 4d. per cent, for the £250 million of bills on offer—and the average rate of discount on all bills allotted fell by 7½d. Total applications rose by nearly £7 million, but the market's "quota" rose to no less than 75 per cent. At yesterday's tender, £260 million of bills were on offer; if all are allotted, the excess of new bills over maturities will fall to £10 million next week.

The Bank return shows an outflow of notes of £11.6 million, clearly attributable to the growing demands of the holiday season. Government securities in the banking department fell by £5.8 million, but as the Treasury special account fell by £11.6 million, involving an automatic cancellation of Government securities of the same magnitude, the week's special purchases are reflected in the return. "Securities" fell by £10.2 million, other accounts by £2.8 million, and bankers' deposits by £15.0 million.

London Money Rates

Bank rate (from 2½%, 11/3/52)	4½%
Discount rates	
Bank bills: 60 days	3½%
3 months	3½%
4 months	3½%
6 months	3½%
Deposit rates (max)	
Banks	2
Discount houses	2
Money—Day-to-day	2-2½
Short periods	2-2½
Treasury bills	
2 months	2½
3 months	2½

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills, the rate is 3½ per cent.

BANK OF ENGLAND RETURNS

(£ million)

	1952	1953	
	July 9	July 1	July 8
Issue Department*			
Notes in circulation	1,465.4	1,545.0	1,556.6
Notes in banking dept.	35.0	55.4	43.8
Govt. debt and securities	1,496.8	1,596.8	1,598.7
Other securities	0.7	0.7	0.7
Gold coin and bullion	2.9	2.9	2.9
Banking Department:			
Deposits:			
Public accounts	14.2	16.6	18.2
Treasury special account	13.6	44.3	32.6
Bankers	283.2	281.6	266.6
Others	69.8	69.5	66.7
Total	380.8	412.0	384.1
Securities:			
Government	316.1	333.3	327.4
Discounts and advances	28.7	16.2	16.0
Other	17.8	22.9	12.6
Total	362.6	372.4	356.0
Banking department reserve	36.4	57.8	46.2
"Proportion"	9.5	14.0	12.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,550 million to £1,600 million on June 3, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1952					
July 4	240.0	308.8	240.0	49 0-45	73
1953					
Mar. 6	240.0	326.9	240.0	48 0-25	68
" 13	250.0	356.4	250.0	47 11-74	87
" 20	260.0	391.0	260.0	47 11-78	63
" 26	250.0	327.4	250.0	47 3-75	68
" 27	250.0	334.6	250.0	48 0-20	67
April 2	250.0	322.8	230.0	48 3-93	60
" 10	250.0	357.6	250.0	48 4-20	82
" 17	250.0	360.8	230.0	48 3-51	45
" 24	210.0	330.3	210.0	47 8-04	58
May 1	210.0	351.1	210.0	47 7-37	34
" 8	240.0	347.4	240.0	47 7-83	56
" 15	250.0	345.8	250.0	47 8-01	62
" 22	250.0	343.3	250.0	47 7-94	62
" 29	260.0	346.9	260.0	47 4-01	70
June 5	270.0	339.3	270.0	47 4-52	74
" 12	270.0	353.1	270.0	47 4-26	69
" 19	270.0	350.1	250.0	47 4-22	66
" 26	250.0	327.4	250.0	47 3-75	66
July 3	250.0	334.1	250.0	46 8-48	75

* On June 25th tenders for 91-day bills at £99 8s. 2d. secured about 65 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £250 million.

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot						
		July 8	July 2	July 3	July 4	July 6	July 7	July 8
Untd. States \$	2-78-2-82	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½
Canadian \$	...	2-79½-2-79½	2-79½-2-79½	2-79½-2-79½	2-79½-2-79½	2-79½-2-79½	2-79½-2-79½	2-79½-2-79½
French Fr.	972-65-987-35	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½
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	12-18½-12-18½
Belgian Fr.	138-95-141-05	139-80-139-85	139-80-139-85	139-82½-139-87½	139-87½-139-92½	139-87½-139-92½	139-87½-139-92½	139-87½-139-92½
Dutch Gld.	10-56-10-72	10-58½-10-58½	10-58½-10-58½	10-58½-10-58½	10-58½-10-58½	10-58½-10-58½	10-58½-10-58½	10-58½-10-58½
W. Ger. D-Mk.	11-67½-11-84½	11-69½-11-70½	11-70-11-70½	11-70-11-70½	11-69½-11-70½	11-69½-11-70½	11-69½-11-70½	11-69½-11-70½
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	79-90-80-00
Swedish Kr.	14-37½-14-59½	14-51½-14-52	14-51½-14-52	14-51½-14-52	14-51½-14-52	14-51½-14-52	14-51½-14-52	14-51½-14-52
Danish Kr.	19-19½-19-48½	19-33½-19-34½	19-34½-19-34½	19-34½-19-34½	19-34½-19-34½	19-33½-19-34	19-33½-19-34	19-33½-19-34
Norwegian Kr.	19-85-20-15	19-98½-19-99½	19-99½-20-00	19-99½-19-99½	19-99½-19-99½	19-98½-19-99½	19-98½-19-99½	19-98½-19-99½
One Month Forward Rates								
United States \$	...	1-½c. pm	1-½c. pm	1-½c. pm	1-½c. pm	1-½c. pm	1-½c. pm	1-½c. pm
Canadian \$	...	1-½c. pm-1-½c. dis	1-½c. pm-1-½c. dis	1-½c. pm-1-½c. dis	1-½c. pm-1-½c. dis	1-½c. pm-1-½c. dis	1-½c. pm-1-½c. dis	1-½c. pm-1-½c. dis
French Fr.	...	4-7 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis
Swiss Fr.	...	2½-1½c. pm	2-½c. pm	2-½c. pm	2-½c. pm	2-½c. pm	2-½c. pm	2-½c. 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.	...	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Swedish Kr.	...	3-10 pm	2-18 pm	2-18 pm	2-18 pm	2-18 pm	2-18 pm	2-18 pm
Danish Kr.	...	1-30 dis	1-30 dis	1-30 dis	1-30 dis	1-30 dis	1-30 dis	1-30 dis
Norwegian Kr.	...	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis	Par-20 dis

COMPANY MEETINGS

THE AUSTRALIAN ESTATES COMPANY, LIMITED

CONTINUED PROGRESS

SIR DENYS LOWSON'S REVIEW

The annual general meeting of The Australian Estates Company, Limited, will be held on July 20th in London.

In the course of his review, which has been circulated to shareholders, Sir Denys Lowson, the chairman, said:

The consolidated profit and loss account for the year ended December 31, 1952, discloses a gross profit of £1,010,151, compared with a corresponding figure of £1,338,937 for the previous year.

After deducting Australian and United Kingdom tax of £494,101, also depreciation and other charges, there is a net profit left of £253,709, which again represents a satisfactory year's trading.

The board recommends a dividend of 10 per cent and also a special bonus of 5 per cent out of the profits distributed by the joint organisation for the disposal of wartime wool stocks. After providing for this distribution and the appropriations shown in the profit and loss account, the amount to be carried forward to 1953 is £170,854, an increase of £21,229 on the amount brought forward from the previous year.

A second distribution was made in March, 1952, by the Commonwealth Government from the profits from the wartime purchase of Australian wool; the total amount paid to the Australian growers was £25 million, of which this company's share was £84,000.

A third distribution at the rate of 4 per cent, representing £16 million, was paid to the growers in March, 1953, the company's share being £53,000. It is expected that there will be one or two further distributions.

In April, 1953, the High Court of Australia ruled that these distributions were a gift, and therefore not liable to income tax; but the Commonwealth Government have decided to seek leave to appeal to the Privy Council against this decision. In any event, it would seem unlikely that the company will benefit; even if there is a favourable decision, because there will be a corresponding increase in the amount of United Kingdom taxation payable, unless steps are taken to secure that where there are local exemptions from taxation, so as to encourage development and other expenditures, there should be a similar concession from the British tax authorities.

The year 1952 was a satisfactory one for all sections of our business, except our cattle stations; most of the latter experienced one of the worst droughts on record, and, while our losses were not severe, our income from cattle sales fell considerably. The effect on the company might well have been most serious had it not been for the foresight of our general manager, Mr Colman, and the quick action taken by him to move stock to agistment while the long stock routes were still open, and before the drought became too pronounced.

Our agency turnover was high; and, due to a good season on the east coast of Queensland, our sugar mills crushed very heavy tonnages of cane.

Expenses rose, but not to the same extent as in the previous year. There were signs of a more stable condition in the Australian economy; imports fell heavily during 1952 and exports rose; but there was a relatively small rise both in the cost of living and in the weekly basic wage.

The high capital cost of machinery, plant and buildings, needed for the expansion programmes on our mills, stations and branches, and also the high cost of repairs and maintenance, are a cause of concern to the company. As I have previously stated, the depreciation allowed for taxation is in most cases inadequate for replacements; and the high rate of tax makes it difficult to establish the necessary liquid reserves with which we try to meet the cost of essential replacements.

PASTORAL

In Queensland, the season on our sheep properties was satisfactory, with a fairly well spread rainfall during the year, but the cattle country in the North and North-West had a very low rainfall, following a bad year in 1951; the only cattle property where good rains fell was Chatsworth. Pastures in that district were good from April until the end of the year, and enabled the country to be used for agistment for stock transferred from the North. Although our actual mortality was comparatively light—thanks to the general manager's foresight in removing large numbers of cattle from our Northern Stations—we had comparatively few cattle in fit condition for sale. Our Dagonally station, which usually carries 10,000-12,000 cattle, was completely drought stricken, and nearly all stock had to be sent away.

The season in New South Wales was satisfactory throughout the year, and our sheep stations carried their usual numbers.

IMPROVEMENTS

Our policy is to continue to improve all departments of our business. Our sugar mills now compare favourably with any in Queensland and, with the help of our research organisation, are among the most efficient in the State. Considerable money has also been spent on staff houses, amenities, quarters, recreation grounds and other accommodation for mill employees.

On our Agency side, we provide good houses for managers and, where possible, for other members of the staff. New offices have been built at Julia Creek and Miles in Queensland and Corowa in New South Wales, and we hope to build more in other centres in the future; in fact a programme of not less than two or three new offices per year will be essential for several years to come if we are to keep abreast of the necessary requirements in the various areas.

We are giving special attention to the improvement of our pastoral properties, since it is of national importance that Australia should concentrate on increasing primary production; and, by providing more water and subdivisional fencing, we hope to increase the production of both wool and beef.

We are aiming at a target by which cattle shall not have more than four miles to walk to water, and sheep not more than two and a half miles. This will be a striking improvement on the conditions previously ruling in many cases, where parts of the stations were usually ten or twelve miles from any permanent source of water.

Our large cattle properties are situated in semi-tropical areas, where rainfall is not well distributed throughout the year, and seasons may be unreliable. We are giving special attention to the improvement and management of these properties, under the supervision of a trained officer, who has made a special study of the Australian cattle industry, and who will devote his time to problems connected with breeding, carrying capacity, mortality and brandings.

We intend to experiment with the Santa Gertrudis breed of cattle which have recently been introduced into Australia from the King Ranch, Texas, to ascertain whether they are adaptable for some of these difficult areas; and we have already purchased one such bull for use at Millungera, where we feel that the special characteristics of the Santa Gertrudis stock can be used to advantage.

In New South Wales, we are developing Jemalong into a fat-lamb raising property, combined with the growing of mixed pastures, irrigated lucerne, and some wheat and oats.

WOOL.

The Australian wool selling season 1952-53 proved a very satisfactory one, with price fluctuations less marked than in some recent years.

There was an increased Australian production; the demand showed that civilian consumption of wool was growing throughout the world, and the position of wool was better than in 1950-51, when very high prices were ruling.

Except for temporary interruptions, wool values have shown an upward trend since March, 1952, and this is confirmed by a comparison of clean costs on Australian show floors of two qualities, average 64's and 56's, supplied by the Australian Wool Realisation Commission:

	64's	56's
1952		
April	120d.	70d.
June	154d.	92d.
September	150d.	98d.
December	164d.	105d.
1953		
April	178d.	111d.
May	193d.	110d.

That more people throughout the world were using wool and were prepared to pay for it would appear to be the principal reason for the ready absorption of the Australian wool clip.

Under generally keen and widespread competition, Great Britain was the largest buyer, and secured a greater quantity than in the previous year. France occupied second place, closely followed by Japan, but purchases on behalf of the United States of America were much reduced.

During the eleven months ended May 31, 1953, 3,515,764 bales had been sold, which realised £368,510,091 at an average price of 83.15d. per pound. For the same period last year, 3,181,835 bales realised £287,532,743, the average price per pound being 73.23d.

It was estimated by The National Council of Wool Selling Brokers of Australia and The Australian Woolgrowers' Council that 3,640,000 bales would be received into Australian brokers' stores for sale by June 30, 1953.

The figures for the Australian clip for the last four seasons for wool sold in Australia are as follows:

	Bales	Gross Value
1949/50	3,597,940	£286,919,294
1950/51	3,549,998	£636,156,430
1951/52	3,409,312	£307,787,401
1952/53*	3,640,000	£375,000,000

* Estimated.

A new wool Futures market opened for the first time in London at the end of April. Similar markets have been established in New York and on the Continent for many years; but never in Britain, which has the greatest wool textile industry in the world, and where traders have always carried heavy financial commitments, and the Bradford system of forward selling has been satisfactory. A Futures market is designed to afford an insurance against adverse price fluctuations, and the development of the Wool Futures Market in London will be watched with interest.

Publicity has recently been given to the development of new synthetic fibres, which represent a great achievement of the chemical industry, particularly in the United States. It is, however, hoped that the steady increase in world population, together with rising living standards, will continue to absorb all available textile materials. There has been an enormous increase in world production of all fibres in the last 25 years, particularly synthetics and cotton; and cotton is the major fibre, wool representing only about 10 per cent of the world's fibre production. At the present time no synthetic fibre has been developed which takes the place of wool satisfactorily, and there is no indication that it will be possible to dispense completely with its use. Wool still possesses many virtues which artificial fibres have not yet achieved and, in fact, the most successful developments have been with mixtures containing not less than 40 per cent to 50 per cent wool. The cost of the raw materials from which synthetic products are manufactured has continued to rise, and there would appear to be every indication of further increases in the price of those raw materials during years to come. Nevertheless, it may well be that with increasing competition from the various synthetic textiles a lower price level may prevail for wool. It would appear, therefore, that growers would be well advised to take every possible step during the present good period to reduce their costs.

With the object of providing the Australian wool industry with a better equipped organisation, the Commonwealth Government has introduced a Wool Promotion Act, 1953, to replace the present Australian Wool Board with a new authority, to be known as The Wool Bureau, having increased powers and responsibilities. The function of the

bureau will be to promote the use of wool, to assist in improving production, and to encourage scientific, economic and cost research in all branches of the industry. The action of the government is commendable, since the danger which it is desired to overcome is not solely the concern of wool-growers, but of the whole Australian community; Australian wool provides the finance for a large proportion of that country's imports, and contributes to a large measure of employment.

OUTLOOK

Our latest advice from Australia is that the seasonal prospects in the sheep districts of Queensland are reasonably good, but on the cattle properties, where the monsoonal rains ceased in February, we expect to have a difficult period from August until about the end of the year, when early storms can be expected.

The season in New South Wales is fair, being helped by rain in the early part of May, and we do not expect much difficulty in carrying our sheep through the year.

At the sugar mills, the early estimates indicate that again a large quantity of cane will be available for crushing.

VISIT TO AUSTRALIA

During the spring of this year I had the opportunity myself of inspecting, not only the company's head office in Melbourne, but also a number of our properties in Victoria, New South Wales and Queensland; as well as the developments to the sugar mills at Kalamia and Pleystowe in the north. I was much impressed with the enthusiasm for, and loyalty to, the company's service which I saw on every hand; and also at the very substantial improvements which had been made, not only in the living and working conditions of our employees, but also on our various properties.

During the course of this tour I was accompanied by one of my colleagues, General Revell-Smith, who made an extensive visit by light aircraft to all the company's principal cattle properties in the north of Queensland. It was pleasing to be able to observe the success of our endeavours to improve the standard of our station managers' dwelling-houses, together with those of our overseers and other station hands and, in particular, to provide good married living accommodation as well as other amenities for their families.

In the case of all outlying stations we are endeavouring to construct aeroplane landing strips at least long enough to take a Dakota. We feel that this will be of great encouragement to the staff of the various stations in maintaining close contact with the outside world in times of flood, need and sickness; as well as affording facilities to buyers of our stock to come and see for themselves what we have on our properties.

We have given special attention to the need for water conservation which may well be described as the liquid gold of Australia, and on many of our properties we have doubled or trebled the number of existing water tanks since 1945. We have also investigated the possibilities of limited artificial irrigation, so as to provide lucerne and other high-quality crops for our pedigree and stud stock. In this connection we find it is a great hardship that expenditure on such essential improvements which are allowed, in full, for purposes of Australian taxation, are disallowed for purposes of British income tax; thus placing a company registered in England at a serious disadvantage compared with a similar company registered in Australia.

At the same time we are placing great emphasis, firstly, on the improvement of quality in all that we produce, and, secondly, on the increase in quantity.

Our head offices at Melbourne and Brisbane have experienced a considerable increase in business commensurate with the increased number of branches which we now own; and we look for an expansion of our turnover of wool sold at both centres, as well as increased participation in stock and other sales.

Notwithstanding the substantial capital expenditure during the last few years, we envisage that further expenditures will be necessary so as to take the fullest advantage of the pre-eminent position which we occupy both in Victoria and Queensland. On the sugar side, we hope that our expenditures will be largely completed by the end of 1954; subject to any further requirements which may be necessary to comply with the needs of those farmers and owners who are assigned to our various mills. At many of our stations the improvements will also be largely completed. We still have in hand a substantial programme of sub-divisional fencing, holding paddocks and water improvements on a number of Queensland properties; as well as similar projects in connection with some of the stations in New South Wales, where we are endeavouring to utilise to the full the water now being made available through state irrigation channels. Your company continues to receive most helpful assistance from all the shire, provincial and state authorities in dealing with the many problems which arise from day to day.

STAFF

In 1951 the board made certain improvements to the Provident Fund which were designed to provide adequate pensions or bonuses for those employees on retirement who had devoted many long and faithful years to the company's service, and to take account of the increased cost of living in Australia as calculated at the end of 1950. Unfortunately, the continued decline in the purchasing power of the Australian pound means that the adjustments which were made so recently are already out of date, and that what the board then provided is no longer adequate. In these circumstances they have decided to take advantage of the favourable results during the past year to make a substantial allocation to the Staff Provident Fund, which, together with the balance of the old Pension Fund, should restore the position to that previously existing.

The staffs in all sections of our business gave excellent service throughout the year, particularly those who had expansion and improvement programmes to carry out in addition to their routine operations, and the company's results reflect the success of their energies.

We acknowledge the loyalty and work of the whole of our staff and also of our subsidiary organisations, including in Victoria, McNamara's and Trenchards who, under the energetic guidance of Mr Maurice McNamara and Mr Morgan respectively, have continued to develop and expand the outstanding position which they already occupy, and afford many services to all their customers.

Once more we are greatly indebted to our general manager, Mr Colman, who, for twenty-five years, has guided the destinies of the company with such success. To him we owe a great debt of gratitude, not only for the prosperous condition in which we find ourselves, but also for his great vision in ensuring that we had four different spheres of interest—namely, sheep, cattle, agency and sugar—so that we have a diversification of our activities and a spread of risk which is not normally enjoyed by pastoral companies. Our warmest thanks go to him for another splendid year's results, which have helped to entrench the company ever more deeply in the Australian scene.

LAPORTE INDUSTRIES, LIMITED

CURRENT TRADING IMPROVEMENT

MR L. P. O'BRIEN ON THE GROUP'S EXPANSION

The forty-sixth annual general meeting of Laporte Industries, Limited, was held on July 9th, in London, Mr L. P. O'Brien (chairman and managing director) presiding.

The following is an extract from his circulated statement:

When, in October last, we went to our financial advisers to consult them about how to raise £2,500,000 in the most advantageous manner to the company, the moment was distinctly unfavourable.

During the autumn of last year the slackening off in demand which began in the January-March, 1952, quarter continued progressively. By the end of September, 1952, this falling off in demand had cumulatively proved to be so severe that the group trading surplus (after depreciation) for the first half of the financial year was only about £109,000. With these figures before us we were unable to give our financial advisers anything better than a very cautious estimate of what the group surplus for the whole year was likely to be. In the then prevailing circumstances, our estimate was that the group surplus available for meeting bank and debenture interest would be some £375,000—that is to say, less than half what it had been in the previous year.

We decided to raise the additional capital required by the issue of £2,500,000 debenture stock bearing interest at the rate of 5½ per cent and repayable by March 31, 1978. This stock was privately placed at par among institutional investors.

In the months which have elapsed since October, the trading surplus of the company improved considerably. The actual figures for the whole of the twelve months were £472,649, plus the exceptional items amounting to £57,032.

So, as we had to discharge our indebtedness to our bankers by January 31, 1953, and this had grown to £878,980, we committed the company to borrow £2,500,000, as mentioned before. So far we have received £1,838,702, after payment of expenses incurred of £36,298. The balance of £625,000 is due on June 25, 1953.

SALES CONSTITUTE A RECORD

Now, as I write, the volume of our output and the value of sales throughout the group exceeds that of any previous period and, in fact, constitutes a record. In the meantime, wages, costs of fuel, electricity, raw materials, transport and overhead expenses have continued to increase, whereas we have not (except in one or two cases) increased our selling prices; on the contrary we have reduced some of them and so, generally, the margin of profit per unit is somewhat lower.

The indications for the future are satisfactory, as there is reason to believe that there will be a continued expansion of demand for the products of the three British and the one Australian subsidiaries.

The Kingsway works at Luton has been maintained in a good state of repair, and the outputs of some of the plants have been expanded while, at the same time, improvements have been made to manufacturing processes.

The Baronet works for the manufacture of hydrogen peroxide at Warrington is to all present intent and purpose now complete. It is a magnificent all-British job which reflects great credit on everyone concerned with its design, construction and operation. Moreover, it is a commercial success and so far fulfils our expectations in every way.

We continue to widen our range of manufacture of peroxy compounds and of special-duty detergents for industrial purposes.

This company has lost its hydrogen peroxide export business with Brazil—a fast growing market—because the Brazilians have imported a plant from the USA and are now making for themselves under the protection of an import duty. Before that plant was imported, Laporte proposed to join with Spanish chemical manufacturers and Brazilian industrialists to form a company in Brazil to import through your company a Laporte-designed British-made chemical plant for the manufacture of hydrogen peroxide under licence from our company. The value of the British plant to be shipped was more than the share of the capital your company was to subscribe, by £10,000. In addition, your company was to receive shares to the value of £17,000 sterling in exchange for the plant designs and working knowledge.

The Bank of England refused to allow us to make an investment in Brazil, even though the plant sale dependent on the investment would have brought a balance of cash in Britain's favour. So Brazil, who will pay promptly for capital goods, has an American plant; the USA has sold a plant and is no doubt happy with the proceeds, and maybe the prospect of a future flow of dividends and royalties. Your company, through no lack of foresight or action, is the unhappy loser whichever way we look at it—no more sales to Brazil and no royalties or dividends to look forward to over the years to come.

However, we have not lost all export opportunities and it has been interesting to note that during the month of August, when the home business was at the lowest depths, we sold and shipped abroad to 28 countries.

LAPORTE ACIDS, LIMITED

In the case of this subsidiary, the trading history of the year was similar to that of the other subsidiaries, with the exception that the improvement in volume of business transacted commenced in September.

NATIONAL TITANIUM PIGMENTS, LIMITED

The trading experience of this now wholly owned subsidiary was similar to that of the parent company. The new titanium oxide plant at Stallingborough, North Lincolnshire, has been started up and titanium oxide therefrom should be available for sale by the date of the annual general meeting.

The demands for titanium oxide, both from at home and abroad, exceed the capacity of the older plant at Luton. There is every reason to believe that the present volume of sales will be increased significantly in the near future.

The new sulphuric acid plant at Stallingborough is now in operation, and the first load of acid was despatched to a buyer a few days before the close of the financial year. Sales continued throughout April and May.

CRYSTAL-LAPORTE PROPRIETARY, LIMITED

The business affairs of this company are in a healthy state, and the hydrogen peroxide and other plants are operating at full capacity. Further extensions to meet the growing demands of the Australian market will be undertaken in the near future.

The report and accounts were adopted.

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

NET PREMIUM INCOME EXCEEDS £6,500,000

CONTINUED PROGRESS IN FIRE, LIFE AND MARINE DEPARTMENTS

MR H. K. GOSCHEN'S SURVEY

The annual general meeting of The Mercantile and General Reinsurance Company, Limited, will be held on July 28, 1953, at the company's chief office at 25-31, Moorgate, London, E.C.2.

The following is a statement by the chairman, Hugh Kenneth Goschen, which has been circulated with the report and accounts for the year ended December 31, 1952:

I have to record with deep regret the death of Mr Ian W. W. Shepherd, MC, on January 24, 1953. Mr Shepherd was closely associated with my predecessor, Mr Richard S. Guinness, for many years and thus had an intimate knowledge of the company's traditions. We shall miss his valuable advice, particularly on investment matters, his specialised experience in which was always readily at our disposal.

The Companies Act, 1948, requires us to give special notice of a resolution in order to re-elect directors who have passed the age of seventy years. You will accordingly be asked to approve this year a resolution proposing the re-election of Mr E. Hurlimann. Mr Hurlimann has watched over the affairs of the company from its origin as a specialised reinsurance office; his wisdom and unique understanding of the business is of inestimable value.

TRIBUTE TO MANAGEMENT AND STAFF

It is with pleasure that I record once more our appreciation of the good work of our general manager, Mr Calburn, of his team of managers, and of the whole staff. The accounts now before you show that we have had another successful year. Such results could not have been achieved but for the constant and whole-hearted efforts of everyone associated with the company.

Before dealing with the individual accounts, I should like to draw your attention to two major changes in the presentation of the annual figures. You will remember that last year we published for the first time a separate balance sheet for the life department, but the figures for that department continued to be included in the respective items of the company's general balance sheet. This year we are again publishing a separate life balance sheet, but only the totals of the life assets and liabilities are incorporated in the general balance sheet. It will also be noticed that this year for the first time we include the underwriting statement and statement of profit and loss and the balance sheet as at December 31, 1952, of our subsidiary company, The Mercantile and General Reinsurance Company of Canada, Limited. However, you will note that these accounts have not been consolidated with the company's own accounts.

PAID UP CAPITAL

A resolution was passed at an extraordinary general meeting held on October 21, 1952, increasing the paid-up share capital by £50,000, to £250,000, by issuing 43,000 further "A" shares of £1 each, fully paid,

and paying up a further 8d. on the 210,000 partly paid shares, which are now paid up to 3s. 4d. per £1 share.

THE ACCOUNTS

Turning now to the accounts, these show a further increase of business. The net premium income again expanded by about 10 per cent, to reach a total of £6,517,696. I referred last year to a lessening of the extraneous influences which have been largely responsible for the unusually rapid increase of premium income during the post-war years. This trend towards a more normal rate of growth has continued. The competition for business becomes ever more intense. To seek means and opportunities of being of use to an ever-widening circle of friends and of adapting our services to their changing needs continues to be our first and constant objective. Our officials have travelled extensively at home and overseas in order to maintain these indispensable personal contacts. The fruits of our endeavours are encouraging.

FIRE DEPARTMENT

The business of the fire department shows a healthy development. The results have been generally favourable, if slightly less so than in the previous year.

ACCIDENT DEPARTMENT

The weight of the motor, third party and miscellaneous accident business affected the results of the accident department adversely. There was, moreover, a hardening in the claims experience in the Burglary and fidelity guarantee classes, in which a reduction in the rates of premium also contributed towards a fall in the profits. The personal accident business continued to run satisfactorily, but the large amounts covered on air travel, and the consequent accumulations on individual flights, give cause for concern and need careful watching.

MARINE ACCOUNT

The marine account continues to expand. You will notice that this year we have discontinued our practice of providing for taxation in the Revenue Account and this item will in future be dealt with in the profit and loss account. You will also observe that we are transferring an amount of £10,000 from profit and loss in pursuance of our policy of strengthening this growing account. As I said last year, this does not imply an unsatisfactory experience and I am glad to report that the account is profitable. Nevertheless, there are clear indications of less favourable times ahead and we consider it prudent to maintain a strong reserve position. Our marine fund at £502,702, now stands at 127.31 per cent of the premium income, and we consider this as fully adequate for all eventualities.

LIFE BUSINESS

The production of new life business was again highly satisfactory. The net new business figure exceeded £10 million, which is a most noteworthy achievement. The large proportion of transactions on the risk premium basis was maintained. Our risk premium rates are constantly under review, and in the course of the year we were able to effect some notable reductions both at home and overseas. Every avenue is explored for rendering the most comprehensive and efficient service to our ceding offices. In particular we specialise in the underwriting of sub-standard risks, in respect of which prompt decisions are made available, both in the home market and abroad. The sub-standard pool for diabetic lives, although small in volume, has been well supported and we have now introduced a second sub-standard pool for blood pressure cases, which has aroused considerable interest.

INVESTMENTS AND LOANS

The total investments and loans of the company once again show an increase, being approximately £798,000 more than the sum invested at December 31, 1951. The market prices of fixed interest stocks continued to depreciate during the year, but as it has been our general policy for some time to invest in fairly short-dated Government stocks with fixed maturity dates, the effect on our portfolio was less severe in consequence. I am glad to report that the margin between the market value and book cost is greater than it was at the close of the previous year. The opportunity was taken during the year to improve our spread of investments by moving part of our funds out of British Government securities into industrials and into property in which we are interested both directly and by way of mortgages. We have thought it prudent again to make a transfer to the provision against investment and exchange fluctuations.

You will remember that in 1950 we purchased a freehold site, Nos. 48/54, Moorgate, which we hoped soon to be able to rebuild in order to meet our urgent needs for increased accommodation. Unfortunately we have been unable to obtain the necessary licence and have consequently had to seek space elsewhere to deal with the expansion which has taken place in our business. We have accordingly now arranged to lease on a long term a building just off Moorgate known as "Moortfields House," where we shall be able to concentrate the whole of our staff. We expect to move into this building some time before the end of September, 1953. We are retaining Nos. 48/54, Moorgate, against the possibility of still further expansion in the future. Our new building affords adequate space for the most up-to-date and comprehensive machinery, which for the last of introducing into our accounting and statistical systems. We are confident that the considerable expenditure which has been incurred under this heading will be amply repaid, not only in doing away with much of

the drudgery and overtime hitherto associated with the preparation of accounts of a peculiar intricacy and a multiplicity of foreign currencies, but also in improving administrative efficiency to the highest possible degree.

CANADIAN COMPANY

Our Canadian company has made a most satisfactory start. The capital resources of the company were increased during the year to \$1 million capital and surplus. I have just returned from Canada where I was happy to meet many of our friends who place reinsurance business with our Canadian company, and to observe that, thanks to the constant and expert activities of the manager, Mr Barnard, a useful and efficient reinsurance service is being rendered. The premium figure for the first year of operations is slightly misleading, in that it includes the premiums in respect of liabilities still current from the previous year under the new reinsurance contracts assumed. During the initial years, whilst the premium income is building up, we must be prepared for the published accounts to show a deficit, even when the underwriting experience is satisfactory, owing to the strain of adjusting the premium reserve to the very severe standard required by the Canadian authorities.

CONDITIONS AT HOME

At home it is satisfactory to be able to record a considerable improvement in the economic field. The steep inflationary rise has been checked and the pound has strengthened with the rise in the gold and dollar balances and the growing confidence in sterling. There are, however, still many difficulties. Competition not only in the insurance business, but also in the direct export field is becoming fiercer, goods are more difficult to sell and buyers require longer terms of credit. The utmost effort continues to be called for from all sides if we are to keep and expand this export trade, both visible and invisible, which is so vital to our economy. Whilst labour is expected to refrain from pressing inordinate demands for wage increases and so do its share in keeping down the cost of production, manufacturers must instal new methods and new machinery and send their representatives out into the world to seek out and meet the needs of the customer. Above all, Government must make greater progress in effecting the long-promised economies, and so achieve a reduction in the taxation which represents so heavy a load on industry and on our capacity to produce at competitive prices.

PENALISING TAXATION

We, in the "Mercantile and General," are proud of the development of our overseas business; the figures testify to the value of our contribution. The combination, however, of extensive and productive travel with an efficient internal organisation is exacting on all grades of personnel. Those who rise, therefore, to positions of responsibility in such a complex international business should not be discouraged by having their rewards reduced by a system of taxation which leaves their net return little greater than if they had not contributed such valuable endeavours. The economic life of our country, as we know it, is mainly the product of our foreign trade, and to penalise the expansion of our international trading relations, by undermining the pioneering activity of the individual, is merely another step towards a restricted economy, in which the majority of our population will be deprived of the means of subsistence.

BOVRIL, LIMITED

PROGRESS IN SPITE OF DIFFICULTIES

LORD LUKE'S REVIEW

The fifty-sixth annual general meeting of Bovril, Limited, was held in London on July 8th. The Rt Hon Lord Luke (the chairman) said that fixed assets had increased by £146,743. Trade investments had again increased by £82,692. There was a substantial reduction of £110,331 in the charge for taxation, so the Group net profit at £318,762 was down by only £59,185. They recommended a final dividend of 10 per cent, making 12½ per cent for the year, £50,052 would be transferred to reserve for contingencies, making this reserve £300,000, leaving the carry forward on profit and loss account slightly reduced at £209,624.

Sales, although reduced, had been maintained on a satisfactory level in 1952, and their overall position was very sound.

In the year under review there had been a bigger percentage fall in export sales than in the home market, and this was due to import restriction in some of their best markets.

It was not only in times of sickness that Bovril was found so appetising and necessary. In the winter it was always a most stimulating beverage as well as an aid to good cooking, whilst in the summer Bovril sandwiches were found to be ideal, so when Bovril was in the home it was for general use and an insurance against emergencies.

Bovril Brand Weaning Food, first introduced in the North of England, had since been developed nationally, and good progress had been made.

With greater freedom in the supply of cereals, they had recently improved the quality of their Bospur Gravy Powder, and the packaging had been redesigned on modern lines by one of the foremost experts in the country.

RISE IN COST OF RAW MATERIAL

The world position of beef cattle had a direct bearing on the availability of raw materials for Bovril, as had the production of corned beef, of which meat extract was a by-product. In recent years the Ministry of Food had considerably reduced its bulk purchase of corned beef and this had been a contributory cause of the world shortage of meat extract and the consequent increase in price.

The meatworks of their Argentine company had continued to produce a substantial proportion of their raw material requirements, but the costs of cattle and wages had continued to rise, and shipments from the Argentine would have to be at greatly increased prices even when they were permitted—he said this adversely because they were finding it extremely difficult to obtain the necessary import licences.

It was unfortunate that more licences were not available at the time when supplies had been more plentiful and prices considerably lower than they were today. They were, of course, continuing to seek ways and means of economising in the methods of production of Bovril, which would, in some measure, offset the present rising cost of raw materials.

They were still looking forward to the time when they could begin once again importing their Bovril Brand Corned Beef for sale on the home market and there seemed now no valid reason why bulk buying of this commodity should continue.

SALES IN THE USA

In the United States, however, their sales of corned beef from the Argentine had con-

tinued at a very satisfactory level, and there was no doubt that Bovril Corned Beef ranked as one of the finest shipped to that market. Their sales last year would have greatly exceeded their 1951 figures but for the difficulty of obtaining Argentine import permits for tinsplate. Why the Argentine should restrict their supplies, which would greatly increase the Argentine's earnings of dollars, was quite inexplicable, and he could only hope that they would take a more realistic view this year.

Sales of Bovril in the United States had been slow and their rate of expansion had been disappointing. Nevertheless, they had consolidated the limited success achieved and had now put this business on a sound basis.

CONDITIONS IN THE ARGENTINE

Turning to the Argentine Estates of Bovril, Limited, the chairman said that it had had a better year, in fact its profits were the best since 1947. During the four years 1948-51, inclusive, this Company had had to shoulder losses on exchange which totalled 97 per cent of its profits, so it was with considerable relief that he was able to report that in the past year there had been no exchange loss.

During the temporary shortage of meat in Buenos Aires the Company had sent shiploads of cattle from its estancias in the north to assist the situation. The Argentine economy had benefited considerably from good grain harvests following two disastrous years. The Company joined with many others in hoping that the new five-year plan, while fostering the Argentine's industrial aspirations, would give plenty of scope for the expansion of her products from the land so that her natural exports might be on an increasing scale and her imports might include products which the United Kingdom could supply and which would assist her industrial future.

PROGRESS AT NORTHERN IRELAND

Their Creamery in Magheralin in County Down had a satisfactory year; more than 5 million gallons of milk were processed and some 2,600 tons of dairy products were produced, the bulk of which was sold to the Ministry of Food.

COMMONWEALTH SURVEY

Bovril (Eire), Limited, had had a satisfactory year, whilst not attaining the sales of the record year of 1951.

Bovril (Canada), Limited, had had another good year and maintained its profits at the 1951 level.

As he forecast last year, the results of Bovril Australian Estates, Limited, had been unsatisfactory, showing the first loss for some years past. This had been due to the serious drought conditions in the Northern Territory and the losses of cattle had been substantial. However, the stock that remained was still a basis for breeding up once again, and the management of Victoria River Downs and Walgra Stations was in good hands.

BOVRIL FOR EVEREST EXPEDITION

Bovril Pemman had been supplied to various expeditions, such as the one to Spitzbergen, the British North Greenland Expedition and the Swiss and British Everest Expeditions. They offered their congratulations to Col Hunt and the members of his splendid team on their epic achievement.

J. LYONS & COMPANY, LIMITED

SOUND STRUCTURE OF BUSINESS FULLY MAINTAINED

BENEFITS FROM RELAXATION OF CONTROLS

MR M. GLUCKSTEIN ON THE SATISFACTORY RESULTS

The fifty-ninth annual general meeting of J. Lyons and Company, Limited, was held on July 6th, in London, Mr M. Gluckstein, the chairman, presiding.

The following is his circulated statement:

The accounts submitted with this statement are for the fifty-ninth year of the company. You will have seen from the report that the net profit for the year is £689,451, which compares with £615,075 last year. We are recommending the payment of final dividends on the ordinary, "A" ordinary and proportional profit capital at the same rates as last year, which, with the interim dividends paid in December last, will absorb £308,242. Preference and preferred ordinary dividends paid and accrued amount to £261,205, so that there is an undistributed balance of profit for the year of £120,004. The amount brought in from the previous year was £260,042. To this has been added £277,923, representing adjustments of taxation in respect of previous periods, and from the total of those two figures we have transferred £500,000 to capital reserve. Including the undistributed balance of this year's net profit, the amount now carried forward in the profit and loss account is therefore £157,969.

BALANCE SHEET FEATURES

I do not think I need comment on the rest of the accounts item by item, but I will direct your attention to two figures in the balance sheet of the parent company. You will observe that capital reserves, now standing at £7,649,071, show an increase over the previous year of some £780,000. This includes the transfer of £500,000 from unappropriated profits which I have already referred to; the remainder of the increase represents surpluses from sales of fixed assets. Stock-in-trade, etc., at a little over £9 million shows an increase of some £800,000—just under 10 per cent. This is no more than normal having regard to the recent freeing of certain commodities from control and rationing, and the continued upward trend of food prices. Our stocks are, of course, very carefully watched, and their volume is not excessive having regard to the total volume of business.

As to the balance sheet generally, a comparison of the figures of the current year with those of last year shows that the surplus of current assets over current liabilities has increased by something over £1 million. I feel we can regard the year's results as satisfactory and say that the sound structure of the business has been fully maintained.

DIRECTORATE

Before passing on from the report and accounts, I would like to refer to my colleague, Mr G. W. Booth. We are all very glad that his name still appears in the list of directors of the company. But for the first time since the company's incorporation it does not appear as secretary. He gave up that office on August 31, 1952, and the board accepted his decision with the greatest regret. I will not attempt to describe what Mr Booth has been to the company, nor why we look forward to a continuance of his work

and counsel. He was, from 1891, the accountant of the private company which preceded the present public company: when the latter was incorporated on April 10, 1894, he became its secretary. In that office and, from 1898 as a director also, he has played his full part in the development of the company from its quite small beginnings. I am sure you will share our admiration of his achievement and our pleasure that we still have the benefit of his great experience and ability. Mr H. H. G. Bennett, who became secretary in addition to Mr Booth in 1926, retains the appointment.

During the year two additions to the board have been made. In August last Mr Guy M. Gluckstein, a general manager of the company, was appointed an ordinary director. He is a grandson of one of the founders of the company, the late Mr Montague Gluckstein, and after coming down from Cambridge University, began his business career in 1933 by the customary apprenticeship at the Trocadero Restaurant. He is one of the group of younger men to whom I have referred on previous occasions and has had the long training in all the company's activities which was requisite to the full performance of the duties of which he has proved himself so capable. In accordance with the company's articles of association, his appointment will come up for confirmation at the annual general meeting.

In September, Mr C. A. Crosslé was appointed an employee director. Mr Crosslé has been with the company for some 30 years and, for a considerable time past, has been in charge of our tea and coffee departments. To these special qualifications there is added wide experience and adaptability, and we welcome him as a member of the board.

In the New Year Honours List, we were very glad to see that Mr Norman Joseph had been made a Commander of the Order of the British Empire.

TRADING CONDITIONS

It is a pleasure to be able to say that there has been some relaxation of the many controls to which we have for so long been subjected. We hope that the process will be accelerated so that we may again enjoy the benefits that freedom and competition can bring. We aid our customers now have a somewhat freer choice. Our chefs, who for so long have had insufficient and sometimes inappropriate raw materials—and I would like to pay tribute to their efforts during that time—are beginning to get the materials they want in more adequate quantity and of more suitable quality, though there are still shortages, of course, particularly of butter and meat. They managed to maintain through the lean years standards which were remarkable in the circumstances, and it seems that we can look forward to their being able to provide, once again, a cuisine which is as good as any in the world.

Prices, however, continue to give us cause for anxiety. Foodstuffs, which account for the bulk of our purchases, escaped some of the more spectacular increases in price which many commodities suffered, but the rise in them, though more gradual, has not in general come to a halt. This is in contrast

to the experience in other industries, where raw material prices have decreased. We are affected, too, by the cost which is still too high, of many other things—the utensils we use, the fuel we consume, the transport we need and, in consequence, there has been little or no opportunity for retail price reductions. To find new methods to keep down costs to our customers, to give still better service and to bring about reductions in prices, is still our constant aim.

THANKS TO STAFF

We were naturally prepared for heavy calls on us during the great event we have recently celebrated—the Coronation of Her Majesty the Queen. Our teashops and our Corner Houses were able to provide the service which the public confidently expects from them at such a time. To achieve this needs great enthusiasm and hard work on the part of the staff. They always rise to the occasion and they did so again. I am sure you will be with me in expressing our thanks not only to those who made the extra effort called for on this occasion, but also to the whole of our staff for their continuing loyalty and good work throughout the year.

The report and accounts were adopted.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

FURTHER SATISFACTORY PROGRESS

The twentieth annual general meeting of Middle Witwatersrand (Western Areas) Limited, was held in the board room, Anglovaal House, Johannesburg, on Thursday, June 25, 1953.

In the absence overseas of the chairman of the company, Mr S. G. Menell, Mr B. L. Bernstein presided and in moving the adoption of the report and accounts for the year ended December 31, 1952, said:

Since Mr S. G. Menell's statement was circulated with the annual accounts further satisfactory progress has been achieved by Virginia OFS Gold Mining Company, Limited, Merriespruit (OFS) Gold Mining Company, Limited, and Hartebeestfontein Gold Mining Company, Limited, in which companies your company has considerable holdings.

At the Virginia Mine, the installation of the permanent shaft equipment at No. 1 shaft has been completed and development was recommenced on June 22, 1953.

At the Merriespruit Mine, development was commenced from No. 1 shaft on April 15, 1953, and up till June 22nd, 1,004 ft, all of which 593 ft were on Basal Reef. Of 550 were classed as payable having an average value of 6.65 dwts over a channel width of 46.3 in, equivalent to 308 in-dwts. Development at No. 1 shaft is to be continued, using the existing sinking equipment, until the end of July, 1953, when it will be necessary to suspend these operations in order to install the permanent shaft equipment. It is estimated that development operations will be resumed at an increased scale, early in October, 1953. The drilling of borehole KA.2 is being continued. Recently a further borehole, KA.3, situated on the farm Kaallaagte No. 562, within the company's mining lease area, was commenced approximately 2,500 ft south of borehole KA.2 in order to obtain structural information to assist in future shaft sinking. At the Hartebeestfontein Mine, No. 2 shaft has been sunk and lined to a depth of 100 ft.

Sinking has been suspended temporarily, to permit of the erection of the concrete headgear and the installation of hoisting equipment. The erection of No. 1 shaft headgear is well advanced. Work is proceeding on surface construction, mine buildings, European and native housing and on the provision and distribution of power and compressed air supplies.

The recent results obtained in borehole TL.40, drilled by your company on the Klerksdorp Townlands, where the Vaal Reef was intersected at a depth of 7,065 ft with a value equivalent to 421 inch-dwts, read in conjunction with the results obtained by drilling in the vicinity, indicate that the portion of the Townlands east of the Buffelsdoornult has good prospects of becoming part of a future mine.

The recently published results obtained by New Consolidated, Free State, Exploration Company, Limited, in borehole GS.1 on the farm Gelukspan, the mineral rights on which are owned by your company, taken in conjunction with the results previously obtained in boreholes LR.6 and LR.7 on your company's portions of farm La Riviera 289, give further indication that your company will have a valuable stake in the mining company which will very probably be formed to work what is known as the "Saaiplaas" area under the aegis of New Consolidated Goldfields, Limited.

NEW ACQUISITION

In accordance with the terms of an agreement taken over from American Anglo-Transvaal Investment Corporation, Limited, a company, the Letaba Copper and Zinc Corporation, Limited, has recently been formed and has acquired from the Murchison Copper and Zinc Holdings, Limited, group of companies the base-metal prospect in the Northern Transvaal in which the American Anglo-Transvaal Investment Corporation and its associates were also interested. Your company will hold approximately 52½ per cent of the initial issued capital of £500,000 in the new company as a result of both the amalgamation with American Anglo-Transvaal Investment Corporation and the subsequent acquisition of the interests of certain other parties. Although the prospecting operations carried out to date have revealed the existence of a promising ore deposit, there are various metallurgical and other problems still to be overcome. Your company, in conjunction with Anglo-Transvaal Consolidated Investment Company, Limited, also holds additional mineral and prospecting options over base-metal claims situated in areas adjacent to the Letaba Copper and Zinc prospect.

BOARD'S DEVELOPMENT POLICY

A shareholder, Mr J. L. P. Wyndham, criticised the company's policy of not having paid any dividends for a number of years in view of its large shareholdings and cash balance. In reply the chairman stated that there had been no change during the past six years in the company's policy which was to further the development of new mines and to retain substantial shareholdings therein. Although no dividends had been declared, the company had passed on to its shareholders rights in the Virginia and Merriespruit Mining Companies and had also retained a substantial holding in both those companies and in the Hartebeestfontein Gold Mining Company, all of which mines were still in the development stage and in respect of which it would be some years before dividends were received.

A special resolution was passed providing for the use of mechanical signatures on share and other certificates.

The report and accounts were unanimously adopted.

ALBERT E. REED AND COMPANY, LIMITED

SIR RALPH REED'S STATEMENT

The fiftieth annual general meeting of Albert E. Reed and Company, Limited, Paper Manufacturers and Converters, was held in London on July 6, 1953.

The following is the statement by the Chairman, Sir Ralph Reed, which had been circulated to Shareholders with the Report and Accounts for the year ended March 31, 1953:

Before referring to the financial results disclosed by the Accounts, it may be helpful if I give you a brief outline of the general state of affairs which existed in the Paper Trade during the financial year under review.

As I informed you last year, the extraordinarily high demand for paper and paper products which had obtained until January, 1952, then began to fall off. This recession of demand became more and more pronounced until last August or September, when the production of paper and board in this Country reached the very low figure of approximately 45 per cent of the production for the last quarter of the year 1951. Naturally, the cost of our raw materials was affected very greatly by this falling off in demand and unbleached Chemical Pulps from European sources fell from approximately £120 a ton to around £40 a ton, and Mechanical Pulps from around £50 a ton to £27 a ton, the latter prices in both cases being approximately those ruling at the present time. The falls in pulp prices have been duly reflected, after allowing for further increases in certain items of production costs in other directions, in the greatly reduced market prices of paper, so that we have experienced a year of very severe deflation in striking contrast to the highly inflationary conditions of the previous two years.

An important factor which adversely affected our operations in the year under review was the severe restriction imposed, particularly in Australia, upon our exports of paper in 1952, which contributed in no small degree to the general recession in demand to which I have referred. I am glad to say, however, that these restrictions have been substantially lifted for the year 1953 and our substantial exports to these traditional markets have been revived to a full and very welcome extent.

You will be interested to know whether and to what extent our properties and operations were affected by the disastrous floods which occurred on the night of January 31st last. Much of our land at three of our Paper Mills was flooded for a short time, but there was comparatively little percolation into the Mill buildings. Thanks to the efforts of all concerned, I am glad to say that production was no more than partially held up to a negligible extent and that our losses arising from flood damage were relatively very small.

PROFIT AND LOSS ACCOUNT

The Profit for the year, before charging Taxation, amounts to £2,135,000, and this has been arrived at after utilising the provision of £1,500,000 which in the last Accounts was provided against falls in values of deliveries of Woodpulp under contracts entered into in the previous year, but after charging all other Stock Losses against the Profits for the year. These Stock Losses were unavoidably very heavy by reason of the fact that our raw material consists in such high proportion of Chemical Pulps, where the previous price increases and subse-

quent falls were so outstandingly large. In the case of Kraft Pulp, for example, of which your Company is much the largest consumer in this Country, or indeed in Europe, the rise and fall in prices has been greater than for any other kind of pulp. The Taxation charge amounting to £497,000 is relatively low by reason of the fact that the £1,500,000 provision just referred to was not deductible from the taxable profit for the previous year.

In the circumstances, and having regard to the extraordinarily difficult period through which the Paper Trade has passed in the year under review, we have every reason to be well satisfied with the results presented to you and, in view of these, we recommend the payment of a final dividend of 13 per cent, making 20 per cent for the year, being the same distribution as for the previous year, after appropriating a sum of £1,500,000 to General Reserve.

BALANCE SHEET

You will observe that the Group Balance Sheet discloses a greatly strengthened financial position. The increase in the Fixed Assets from £3,516,000 to £4,216,000 reflects, not only the acquisition of Empire Paper Mills, Limited, but a continuation of our policy of maintaining our plant in a high degree of efficiency. The item of £564,000, being the excess of the cost of shares over the net book value of assets in Subsidiary Companies, compared with £30,000 last year, is almost entirely due to the acquisition of Empire Paper Mills, Limited. This Company, to which I referred in my statement last year, has now been incorporated as an integral member of the Group, which has been much strengthened thereby, and we have every reason to be satisfied with this important acquisition.

The fall in Stocks from £7,308,000 to £4,625,000 is represented mainly by the fall in values of raw materials to which I have previously referred and the fall in Debtors from £4,981,000 to £3,306,000 is consequential upon the lower costs and prices.

You will observe that Tax Reserve Certificates and Cash now amount to £3,955,000, as compared with £2,736,000 last year, but this figure should be considered in relation to the Future Income Tax Reserve, which last year was £2,750,000 and now is £400,000. There is, therefore, a very large increase in the liquid resources of your Company—an increase which will stand us in good stead in our future trading and development.

TAXATION

Although the Taxation charge in these Accounts is relatively low, it should not be allowed to hide the very serious effect of the rates which have had to be borne by this Company and Industry generally, and it is with considerable relief that we receive the Chancellor's recent decrease in the rate of taxation and the abolition as from next January of the Excess Profits Levy. We also welcome very much the reintroduction of the initial allowances on capital expenditure.

PRESENT PROSPECTS

For the moment the pulp market appears to have achieved a stability which we have not seen for several years, and we may hope

that we shall not again experience the violent fluctuations which have characterised those years. However, in our business we have to contend with the very formidable effects on European prices of variations in the demand in the American market, and for this reason alone we are always in a very difficult position to predict the future.

Our production is now running at a reasonably high level denoting a very substantial recovery from the recession of last year and, having regard to the manner in which we have come through probably the most serious and difficult time ever faced by the Paper Industry, and in view of our strengthened financial position, we look forward to the future with considerable confidence. We must be prepared for very competitive trading conditions, but we believe that we are well equipped to meet them.

TRIBUTE TO STAFF

Bearing in mind the very unusual and difficult conditions of the year under review, I am particularly glad to pay tribute to the manner in which our Executives and Staff have risen to the occasion in meeting these difficulties, which, together with the sustained efforts and team work of all those employed in our Organisation, has so effectively contributed to the results which we are now able to put before you.

THE ORION INSURANCE COMPANY

EXTENSION OF ACTIVITIES

INCREASE OF ISSUED CAPITAL

SIR STRATI RALLI'S STATEMENT

The twenty-third annual general meeting of The Orion Insurance Company, Limited, will be held on July 16th in London.

The following is an extract from the circulated statement of the chairman, Sir Strati Ralli, Bart, MC.

I take this opportunity of extending a very cordial welcome to our two new directors, Mr W. A. Osborne and Mr A. P. B. Guinness, whose re-election to the board you will be asked to approve at the coming annual general meeting.

I am also glad to inform you that, with effect from April 28, 1953, Mr Dudley Rybot Scholey has been appointed deputy chairman of the board and of the company.

In October, 1952, your company agreed to act as aviation underwriters in the United Kingdom for The Victoria Insurance Company, Limited, of Melbourne, and, with effect from January 1, 1953, to act in the same capacity for the New India Assurance Company, Limited, of Bombay.

Earlier this year your company, in conjunction with certain insurance friends and associated concerns, participated in the formation of a new insurance company under the name of the "Sphere Insurance Company Limited." Your company has a substantial, although not a controlling, interest in the "Sphere" and has agreed to act as marine and aviation underwriters for that company.

MARINE DEPARTMENT

In the marine department the net premium income for 1952 amounted to £1,265,009, compared with £1,215,517 for 1951.

The sum of £40,000 has been transferred

to profit and loss account out of the 1950 closed underwriting account.

The marine fund now stands at £1,375,474 (108.7 per cent).

Conditions in the marine market remain difficult and settlements at the end of the second year of our 1951 underwriting account indicate that this will prove a lean one.

The 1952 account, to date, shows some improvement in settlements, although the account may not yet have borne the full burden of its share of the unfortunate and costly series of marine casualties which were sustained in the winter of 1952-53 and of the severe losses which arose from the disastrous floods experienced in February this year.

FIRE, ACCIDENT AND MISCELLANEOUS DEPARTMENT

The net premium income in this account for 1952 amounted to £866,057, compared with £827,080 for 1951.

This account generally has had a more favourable experience than last year and after maintaining the unexpired risks reserve on our usual conservative basis of 50 per cent, which has involved a financing charge of £19,488, has yielded a modest profit of £28,268.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

After bringing in gross interest and dividends of £116,410 (£109,377) and the transfers from revenue accounts of £68,268 (£87,465), and after deducting directors' fees £1,933 (£2,000), other expenses and audit fee £29,101 (£27,671), overseas taxation £3,853 (£2,590) and providing the sum of £110,000 (£145,000) for United Kingdom taxation, the net balance for the year amounts to £39,791 (£19,581). To this has been added the sum of £87,691 brought forward from 1951, making a balance of £127,482 available for distribution.

Your directors recommend the payment of a dividend of 10 per cent, less income tax, for the year 1952 (same), which requires a net sum of £22,000 and, after transferring £2,000 to provision for staff contingencies, there remains a balance of £103,482 to be carried forward.

The total of invested funds as shown in the balance sheet is £3,031,093, of which a large proportion is held in short-dated Government securities.

Despite a further fall in security prices in 1952 the market value or, where there is no quotation, the estimated value, of our investments at December 31, 1952, was in excess of their balance sheet value.

The total assets of the company now stand at £4,860,569, compared with £4,342,722 last year.

GENERAL REMARKS

The company's business has undergone considerable expansion over the past five years in every direction, and your directors are of the opinion that the time has again come when the issued capital of the company should be further increased. It is proposed, therefore, immediately following the annual general meeting, to invite shareholders to subscribe for a further 50,000 ordinary shares of £1 each at par in the ratio of one new ordinary share for every eight ordinary shares held. The new shares will not rank for any part of the dividend recommended for the year 1952, but, otherwise, will rank *pari passu* with the existing ordinary shares. The effect of this will be to increase the issued and paid-up capital of the company to £450,000.

SMITH'S POTATO CRISPS LIMITED

RECORD PRODUCTION AND SALES

The twenty-fourth ordinary general meeting of Smith's Potato Crisps Limited was held on July 7th in London.

Mr Fermian Le Neve-Foster, the chairman, in the course of his speech, said:

The net profit, before taxation, of the parent company for the year shows a remarkable increase to the sum of £271,859 as compared with £184,330 in the previous year.

The most satisfactory feature is the substantial increase in the profits of the Parent Manufacturing Company. This has been achieved in spite of some increases in the costs of materials and transport and in labour rates. It is attributable mainly to the considerably greater volume of production and sales. These constitute an all-time record in the history of the company.

The directors recommend a final dividend of 20 per cent, plus a cash bonus of 5 per cent, both less income tax, on the enlarged capital resulting from the one in ten free share bonus issue distributed to shareholders during the year.

STRONG FINANCIAL POSITION

The consolidated balance sheet shows an exceedingly strong position. Fixed assets show a small increase, but the additions to plant, etc., have, within £1,500, been looked after by the amounts which we have written off for depreciation. With British Government securities, tax reserve certificates and cash standing at a total of £460,955, we have an exceptionally strong liquid position.

With falling prices of commodities, most companies have today problems arising from depreciation of stock values, but in our case, I am glad to say that this question does not carry the same risks and problems. Shareholders may congratulate themselves on this aspect of our business.

POPULARITY OF CRISPS

I have in the past referred to the reasons for the popularity of crisps. They will be found in the shops of grocers and caterers, in snack and cocktail bars, and in licensed houses, as well as in the homes. They are universally popular at picnics. The demand for Smith's crisps continues unabated and now that we have been able to supply greater quantities we find evidence on all hands that our claim that "there are no crisps like Smith's" is truly well-founded.

Undoubtedly we have the friendship of all sections of the trade, retail and wholesale, as well as that of the licensed victuallers. The supplies which we have been able to give them this year have been welcomed very heartily and, like *Oliver Twist*, they still ask for more. We shall do our best to supply them.

In this great Coronation year I may be forgiven for reminding you of that great figure of the last Elizabethan reign, Sir Walter Raleigh, who introduced the potato to this country. In the recent celebrations Smith's crisps have played their part in feeding the enthusiastic crowds and large quantities of our crisps have been sold among them, in the parks and elsewhere.

The results of the first two months of the current year are most encouraging and if they are maintained I have every hope that at our next meeting I shall be able to place before you results which are as good or perhaps even better, than those which we are now considering.

The report and accounts were adopted.

HEAD, WRIGHTSON AND CO., LIMITED

RECORD TRADING PROFITS

ORDER BOOK GREATER THAN EVER

MR RICHARD MILES'S SPEECH

The sixty-third annual general meeting of Head, Wrightson and Company, Limited, Engineers, etc., was held on July 8th at the Registered Office, Teesdale Iron Works, Thornaby-on-Tees.

Mr Richard Miles, the chairman and managing director, who presided, said:

At the opening of this, our sixty-third, annual general meeting, I should like to start with an expression of thanks to our staff and workmen, without whose support our continually improving results would not have been possible.

LABOUR AND WELFARE

There have been three events during the past year which may prove landmarks in the history of our old-established company. The first and most important is the inauguration of a pension scheme for our workmen. This is a forward step, but it is not unattended by risks in increasingly competitive markets, especially overseas. The second is the fact that during the year we presented mementos to our long-service employees. We had nearly one hundred and fifty, with fifty and forty years' service. Some of these men have worked through three wars, four if we include the Korean war. It should create a feeling of confidence that our industrial production should endure despite world upheavals. The third is the beginning of a scholarship scheme for a university degree course for selected apprentices, a corollary to our apprentice school, which still maintains its popularity and pre-eminence. Despite the increased public expenditure on social services and education, we are still not seeing a corresponding improvement in the extent of technical staff. We have therefore decided to assist ourselves. The high overheads for social services must be recouped by the high quality of our designs and products. With few natural resources except coal and brains, this country cannot maintain its standard of living unless we maintain our lead technically.

In referring to personnel, I should mention that Mr J. E. Mercer, the works director of our steel foundries, well known in the iron and steel foundry industry, has retired after being with us for over thirty years. He remains on the subsidiary company board concerned.

ACTIVITIES

Today our order book is greater than at any time in the history of the company. Our trading profits, despite the inclusion of only nine months' trading by the parent company, are again higher than before. All our subsidiaries have made a contribution.

It cannot be expected that every one of our activities has not experienced difficulties. Australia, due to economic factors, has not yet recovered from last year's recession. We have formed Head, Wrightson Australia (Pty.) Limited, a company designed to supplement our operations with our Australian associates. Our South African company had a very successful year, but is not having an easy time at the moment. We are starting a branch office in Canada and we hope that our efforts there will make a due contribution to our returns. At home the requirements of the automobile and transport industries have been occasionally variable. We are, however, finding that the heavy industries, iron and steel,

coal, oil, are still expanding their needs for the capital equipment in which we specialise, both at home and overseas. A highlight lately has been our large order to build an ore-handling and blast-furnace plant for Spain, which will take us three and a half years to complete. In February the largest blast furnace outside the USA, which we built for Messrs John Summers and Sons, Limited, was successfully started, and officially opened by HRH The Duke of Edinburgh on April 29th, and a duplicate plant is now being built. Important installations in other directions in the iron and steel trade, in the mining, and in the oil and chemical industries, at home and abroad, were completed during the year. Special mention might be made of an oil refinery approaching completion in Belgium. Our outputs of steel castings and drop forgings were the highest recorded, despite inadequate supplies of raw materials. Our business in aluminium alloy structures has improved.

During the year visits overseas to examine prospective markets were made by directors of the parent and subsidiary companies, and a special review has been made of India.

Our long-term capital expenditure programme continues to be carried out to plan. The lightening of the burden of taxation, though small, is a timely help. Initial allowances assist the immediate cash position, and they are accordingly welcome.

ANNUAL ACCOUNTS

You will have noted from the annual accounts that, as foreshadowed last year, having brought the year-ends of all our wholly owned subsidiaries into line, we have now been able to bring the year-end of the parent company into line also. This is not only required by the 1948 Companies Act, but is obviously a convenience in many ways. It has entailed taking a trading period of nine months instead of twelve months for the parent company, but you will observe, nevertheless, that we increased our trading profit.

The final results are substantially better, because several factors connected with taxation have operated favourably in the same direction. There is in the first place the very welcome, even if small, reduction in the standard rate of income tax. We have had a small refund of Excess Profits Tax on our South African subsidiary. The rearrangement of the parent company's year-end alters the assessment somewhat, again to our advantage but not to any great extent. The main difference is due to the fact that our final accounting date for the twelve preceding months, April 30, 1952, falls inside the same fiscal year as our new final accounting date, January 31, 1953. We had reserved the taxation for this fiscal year in the last accounts. This amount, though allowed for, is now released. It makes no difference in the long run, but has an important bearing on the present figures.

All these effects, some of them technical and complicated, we have tried to show as clearly as possible in the accounts, and have provided notes where we thought further clarification helpful.

BALANCE SHEET FURTHER STRENGTHENED

Our balance sheet is thus further strengthened, and it may be interesting also

to note the increasing volume of work-in-progress, the profits upon which will be reflected in the accounts in due course.

The policy of your board includes the continual ploughing back of a large proportion of our earnings into the company, for improvement to buildings and machinery, and for working capital, so that we shall be in the best possible position to maintain full employment; but in fairness to you who have had confidence in us, and patience under restrictions, we now feel we can recommend an improvement in your return. As you will see from the annual report, your directors are recommending a final dividend of 12½ per cent on the ordinary shares, making 17½ per cent for the period.

He would be a bold man who would confidently foretell the future of any industry, when still unsettled political factors play such a dominant part, but my statement to you today ends on a note of optimism.

The report and accounts were adopted.

HOUSE OF FRASER LIMITED

TOTAL TURNOVER AGAIN A RECORD

MR HUGH FRASER ON NEW ACQUISITIONS

The twelfth annual general meeting of House of Fraser Limited was held on July 7th at the Merchants' Hall, 30, George Square, Glasgow, C.2, Mr Hugh Fraser, DL, JP (chairman and managing director), presiding.

The following is an extract from his circulated statement:

During the financial year the company purchased the whole issued capital of Wood and Selby, Limited, Duncap's Limited, and Scottish Drapery Corporation, Limited, at a total cost of £3,223,352, and on the winding up of Scottish Drapery Corporation, Limited, and fourteen other subsidiary companies, the net assets, including cash transferred, were sufficient not only to recoup the cost of acquisition, but also to create the substantial surplus disclosed in the capital reserve account.

TRADING RESULTS

The profit and loss account of the principal company shows an increase in trading profit at £361,183, and the profit before taxation arising from retail trading alone has increased by £86,433. The profit from trading is stated after charging the new lease rents from May, 1952, and the additional revenue from subsidiary companies arises directly from the investment of the capital released by the sale of properties to which reference was made in my last statement.

The group trading results are shown in the consolidated accounts and the preacquisition profits of subsidiary companies have been calculated on a time basis notwithstanding that the major part of these profits accrued under your company's control. The reduction in interest charges follows from the repayment of loans secured over heritable properties and having regard to the continued rise in operating costs, particularly in wages and to the very considerable maintenance expenditure charged to revenue, the increase in net profit from £124,488 to £270,097 is extremely satisfactory.

BALANCE SHEET FEATURES

It will be seen from the balance sheet of the group that the total assets after deducting bonds and debentures secured over heritable properties now exceed £5 million, and

that the value of the interests of stockholders amounts to £3,790,265, of which £1,453,374 is represented by the surplus of current assets over current liabilities. In dealing with the assets of subsidiary companies, the warehouse premises retained in the group ownership have been valued professionally on the same basis as those recently realised, and the remaining assets have been taken at existing book values. No account has been taken of the company's interest in leasehold properties, but at the date of the balance sheet this has been certified to show a capital value of £600,000.

The separate items of current assets do not call for detailed comment, and the available cash balances and liquid assets are adequate for all company purposes in the foreseeable future.

BONUS ISSUE

The appropriations recommended in the directors' report include a final ordinary dividend in respect of the last financial year, at the rate of 60 per cent actual. Ordinary stockholders will also be asked to consider the proposal already announced, to apply part of the capital reserve account in payment for an issue of ordinary shares to ordinary stockholders in the proportion, as nearly as may be, of one ordinary 5s. share for every 20 ordinary stock units held at the close of business on June 26, 1953.

It is intended to recommend similar bonus issues at regular intervals so long as conditions permit, and having regard to the earnings and dividend prospects of the company, the directors are of opinion that these distributions will prove beneficial to all ordinary stockholders.

The directors have also under consideration some further adjustment of the share capital which would not affect the proposals already outlined, but would bring the issued ordinary capital more nearly in line with the capital employed, and this matter will be fully reviewed in the light of developments in the current year.

BINNS ACQUISITION

Since the end of the financial year, the company has extended its trading by acquiring the ordinary capital of Binns, Limited, Sunderland. Transfers for approximately 98 per cent of the ordinary capital have now been settled. The remaining ordinary shares will be acquired and at the offered price the total purchase consideration amounts to £2,900,000. This outlay can be met out of the existing resources of the group, and there is no doubt that the new acquisition will greatly enhance the earnings of your company.

BRIGHT PROSPECTS

The day-to-day trading conditions throughout last year showed some irregularity in progress among the individual stores, but the total turnover was again a record. In the early part of the current year, there was a temporary falling off in certain sections of the trade, which has now been recovered. The total turnover has been fully maintained to date, and your directors are confident that there is still considerable scope for development within the group, apart from the increased trade being contributed by the Binns Stores.

It is my intention to consolidate and develop the trading group as it now exists, and I take this opportunity to assure members that recent press reports associating the name of the company with various undertakings in London are entirely without foundation.

The report and accounts were adopted.

At a subsequent extraordinary general meeting the proposed capitalisation and bonus issue proposals were sanctioned.

BRITISH GLUES & CHEMICALS, LIMITED

CURRENT TRADING IMPROVEMENT

SIR ROGER DUNCALFE'S REVIEW

The directors' report and accounts for the period ended March 31st were issued to the stockholders on July 7th. The following are extracts from the review by the chairman, Sir Roger Duncalfe:

The directors having decided to change the ending date of your company's year from April 30th to March 31st, the accounts now presented are for eleven months instead of the normal period of twelve months.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated profit for eleven months is £243,424 (last year £821,618 for twelve months) after all charges other than United Kingdom tax. Included in Consolidated profit is a credit for £25,000, transferred from a provision made in a previous year against fall in value of raw materials purchased under forward contracts. After deduction of United Kingdom tax amounting to £137,000 the net profit is £106,424 (last year £348,618) and after adding £1,049 reduction of surplus of subsidiary companies, the profit dealt with in the accounts of British Glues & Chemicals Limited is £107,473 (last year £311,808).

TAX

As a result of the change of accounting date, certain adjustments to the taxation liabilities are required, and a substantial part of our provision for tax becomes surplus to requirements. We can safely credit appropriation account with £300,000, arising from the accumulated over-provision for past years (including EPT years) to which I referred two years ago, as well as the estimated reserve set free by the change in accounting date and the reduction in standard rate of income tax for 1953-54.

APPROPRIATIONS

The £107,473 profit, the £300,000 tax credit just referred to, and £52,169 balance of profit brought forward from the previous year, total £459,642 (last year £353,044), which is the amount available for appropriation. Our first appropriation is £250,000 to general reserve, bringing it to £550,000, a figure which, incidentally, is the same as for our issued ordinary stock, and which is more than twice covered by the excess of our current assets over our current liabilities. Our second appropriation is £80,000 to replacement reserve, bringing it to £320,000.

DIVIDENDS

Subject to acceptance of the proposed necessary alterations to our Articles of Association consequent upon the change of our year-end we recommend final dividends of 4 per cent cumulative and 2 per cent participating on preference stock and 12½ per cent on ordinary stock, so that the total dividends for the eleven months' period on both preference and ordinary stock will be the same as for the preceding twelve months—viz., preference 10 per cent actual, ordinary 15 per cent actual, both less tax.

Following the above appropriations and dividends, we carry forward £56,260 in the balance sheet of British Glues & Chemicals Limited against £52,169 brought in.

CONSOLIDATED BALANCE SHEET

There is little change in our fixed assets at £1,061,608. Depreciation was about

£11,000 more than capital expenditure, which amounted to £98,326. At March 31st, 1953, orders placed by the group on capital account amounted to £30,000, and additional schemes in hand at that date will involve £40,000 further expenditure. Current assets at £1,968,172 are nearly £500,000 less than last year, mainly by reason of heavy tax payments, but our current liabilities are correspondingly reduced. Current assets exceed current liabilities by about £1,400,000, which surplus is largely represented by our stocks and debtors, whilst our cash, money on short-term loan and tax reserve certificates more than cover our total liabilities.

On the left-hand side of the balance sheet there is no change in our issued capital, but our reserves and surplus have increased by approximately £330,000. General reserve is £550,000 (last year £300,000), replacement reserve £320,000 (last year £240,000), contingency reserve £100,000 (last year the same). Carry forward at £56,260 is slightly increased. Surplus of subsidiary companies at £91,677 is £1,049 less than last year. With the change in the year-end the need to reserve for 1954-55 income tax has gone.

THE FUTURE

The improved trading conditions we experienced during the later months of last year have continued up to date and we start the new year on a rather better basis than a year ago. I must, however, warn you that the difficult period of adjustment which I mentioned in my last review still persists; there has been some reduction in gelatine and glue prices, and tallow and grease prices have fallen heavily; up to the present, however, our raw material prices have not responded fully to these lower product prices.

TIMOTHY WHITES & TAYLORS

PREVIOUS HIGH SALES RECORD SURPASSED

The twenty-fourth ordinary general meeting of Timothy Whites & Taylors Limited was held on July 2nd in London, Mr Louis Nicholas, JP, FCA (the chairman), presiding.

The following is an extract from his circulated statement:

The total sales of the company and its retail subsidiaries for the year surpassed the high record of 1951.

The trading profit and sundry income of the group for the year amounted to £1,239,172, as against £1,169,143 for the previous year. The provision for taxation amounts to £572,973. This taxation takes over 57 per cent of the profits. The directors recommend a total dividend for the year of 35 per cent, less tax, as compared with 32½ per cent last year.

Whilst from the point of view of the general public the recent reduction in purchase tax is to be welcomed, I would again mention the position of retail traders in respect of the serious losses which they will sustain in the event of the repeal or reduction of purchase tax without provision being made for the return of the tax paid by the trader upon the goods unsold at the time of the alteration.

The company's policy of expansion and development is continuing.

Subject to nothing unforeseen taking place, I look to the future with reasonable confidence.

The report was adopted and the board's capitalisation proposals and bonus issue were approved.

SIAMESE TIN SYNDICATE

CAPITAL INCREASED

The forty-sixth annual general meeting of the Siamese Tin Syndicate, Limited, was held on July 9th in London, Mr Kenneth O. Hunter (the chairman) presiding.

The following is an extract from his circulated statement:

Total production from dredging operations, including those of our wholly owned subsidiary, amounted to 1,833 tons of ore. In addition, a further 28 tons were produced from the re-treatment of tin shed tailings, giving a total of 1,861 tons, which is in excess of any year's production since the war. The total output of 8,872,100 cubic yards was also a postwar record.

The consolidated profit before taxation amounts to £525,814, an increase of £36,479 over 1951. This is largely due to a successful ten-month working period by the subsidiary company which made a profit of £64,479. The directors recommend a final dividend of 85 per cent (making 150 per cent).

Our reserves stood at December 31, 1952, at 132,872,750 cu yds, averaging 0.506 lb tin ore per cu yd. Of this total 25,227,500 cu yds averaging 0.486 lb per cu yd lie in expired leases for which application for renewal has been made.

The report was adopted and at a subsequent extraordinary general meeting resolutions were passed approving: (1) an increase in the authorised capital to £550,000, of which up to £250,000 would be available for the proposed offer to Bangrin stockholders; (2) the capitalisation of £150,000 of the reserves and its distribution as one ordinary share of 5s. each for each stock unit of 5s.; and (3) a cash distribution of 2s. 6d. per 5s. stock unit.

BANGRIN TIN DREDGING

A DIFFICULT YEAR

The thirty-third annual general meeting of Bangrin Tin Dredging Company, Limited, was held on July 9th, in London, Mr Kenneth O. Hunter (the chairman) presiding.

The following is an extract from his circulated statement:

We have in 1952 faced a difficult year. Not only has the value of our product fallen from its previous peak but for five months our operations were reduced to one working dredge, where three were working before. Production fell by 147 tons to 687 tons of ore. Of the total output of 2,245,000 cubic yards, 2,225,000 came from ore reserves.

Stockholders will have noted a reduction of profit from the figure of £405,633 in 1951 to £217,943 for the year under review. The directors recommend the payment of a final dividend of 20 per cent. The gross dividend of 35 per cent on the nominal capital represents 17 per cent on the net assets at December 31, 1952.

Our total ore reserves amounted to 35,400,000 cubic yards averaging 0.56 lb. tin ore per cubic yard at the end of 1952. Of this total some 4,700,000 cubic yards, averaging 0.72 lb, lie in isolated blocks or are gravel pumping areas. The remaining 30,700,000 cubic yards, averaging 0.53 lb per cubic yard, comprise the present dredging area.

Owing to the necessity of docking both dredges on a single area of hard ground above high tide because of working in tidal waters, the dredge courses have been dictated by circumstances to have lain during the past two years in ground of higher value than the average.

The report and accounts were adopted.

SAN FRANCISCO MINES OF MEXICO

MR C. E. TEMPERLEY'S SPEECH

The fortieth annual general meeting of San Francisco Mines of Mexico Limited was held on July 7th in London.

Mr C. E. Temperley, OBE, MC, the chairman, in the course of his speech said: The gross value of products sold was £9,386,000. The net profit was £970,000 against £1,022,000. The directors have appropriated £100,000 to exploration and development reserve which brings the reserve to £500,000. We have also appropriated £100,000 for contingencies reserve. The directors recommend the payment of a dividend of 6s. per unit.

Turning to the prospects ahead of us, you may be sure that the mines, the mill and the finances of your company are in the best trim we can put them into to meet either fair weather or foul. Development of the complex orebodies continues to be favourable. There are substantial reserves of good grade ore. Your company is well endowed with cash. Internally all is well. Unfortunately, as I have pointed out, our prosperity depends more on outside factors over which we have no control than on factors within our control. The most important of these is the price at which we can sell the metals we produce. At the present level of prices the operating profit of your company is very far below the level achieved in the past year and profits will continue low for so long as these prices persist. I am not a pessimist and I think there are some grounds to hope for an improvement—provided no major world recession intervenes.

The report was adopted.

BAH LIAS RUBBER ESTATES

SIR ERIC MILLER'S VIEWS

The forty-second annual general meeting of the Bah Lias Rubber Estates, Limited, was held on July 3rd in London.

Sir Eric Miller (the chairman), in the course of his speech, said: The Bah Lias Company's financial position is so strong that some shareholders, I observe, are canvassing the idea that we should now distribute a large part of the resources which we have prudently accumulated over the years for the specific purpose of financing the gradual replacement of our oldest planted areas as they become uneconomic, which we would have tackled ere now had not the situation in Sumatra been too unsettled. Some may even have acquired a holding in the company with an eye to a killing. I think it therefore timely to indicate the principles which govern the actions of the board of this company, which was established in 1911 to take over concession lands, on which a modest amount of tobacco was being grown, with the express object of expanding the cultivation of rubber and coconuts. Some time later the tobacco venture was sold to advantage and the coconuts were gradually replaced by rubber. We made an excellent move in 1933 when we took an interest in Kulai Rubber Estate Limited, registered in Malaya. Our stake in that company was substantially increased when we absorbed the Wampoe and Bila Companies by amalgamation in 1938, for they were also shareholders—and, as our report tells you—our interest in Kulai is the equivalent of some 2,400 acres of first-class modern rubber.

People who go in for rubber-growing, which is a long-term proposition, have to be tenacious by nature. Having been responsible for opening up a large acreage during the past 40 to 50 years, thus creating some of the best estates in South-East Asia, Harrison and Crossfield are not going to throw in their hand just because conditions happen to be trying and difficult at the present time. This modern world of ours cannot get along without adequate supplies of natural rubber and South-East Asia cannot afford to see this source of wealth return to jungle conditions. All responsible people have a vital interest in preventing economic disaster in that area, which is so close to Communist China. It was therefore encouraging that at the recent Study Group meeting in Copenhagen the American rubber manufacturers volunteered and recorded publicly their collective understanding of the part they should play in preventing any catastrophic slump in the price of natural rubber by themselves being willing buyers at a price competitive with the synthetic product. The disastrous effect on the economy of this country if there were wholesale spoliation of the liquid resources built up by productive enterprises for the purpose of expanding or modernising their equipment to enable them to hold their own in a competitive world, should be obvious to all right-thinking people and any such moves should be strongly deprecated and resisted in the national interest.

The report and accounts were adopted.

THE BURMAH OIL COMPANY LIMITED

INCREASED VOLUME OF TRADE

SIR KENNETH B. HARPER'S REVIEW

The fifty-first annual general meeting was held on Friday, July 3rd, in the Merchants' Hall, Glasgow, Sir Kenneth B. Harper presiding.

In moving the adoption of the directors' report and accounts the chairman referred to his statement dealing with the group companies' activities during the past year. The substantial fall in the trading profits—from £7,500,000 in 1951 to £5,500,000 in 1952—did not signify any weakening of the fundamental strength of the companies' trading position. On the contrary, the volume of the group's trade had increased by 2 per cent, an increase sufficient to maintain their share of the market, though not enough to offset a narrowing of profit margins. He hesitated to forecast the future, so much depending on factors outside the group's control, but he could say that in the current year to date sales were showing a satisfactory increase over the same period last year.

PROSPECTING

Over past years about £10 million had been spent in prospecting, with negligible results in terms of new oil fields, but there was now some ground for optimism in regard to at least two areas. Expert advisers were of the opinion that the gas field at Sui in Baluchistan promised more than enough gas to provide fuel for many years for all West Pakistan's industrial requirements, while the results just received of testing the lowest and possibly not the best of the four oil sands drilled through at Nahorkatiya in Assam suggested that the sand was capable of yielding moderate production. Evidence from this well was being applied immediately to the search for further oil in the large area

of the Assam Valley, over which the Assam Oil Company held the exclusive priority right to apply for concessions.

demands and doing great damage to industrial relations.

LABOUR COSTS

Labour costs were 300-400 per cent pre-war and for every £6 wages and allowances £1 was spent in housing, schools, hospitals and other forms of welfare. The group believed in improving the working conditions of their employees, but their efforts were in danger of being upset by the way the system of compulsory adjudication in industrial disputes was applied. However high the pay in relation to other comparable employment, arbitrary awards of two, three or four months wages were being made, thereby encouraging the unions to make further

RELATIONS WITH ANGLO-IRANIAN

Referring to the recent issue of debenture stock by the Anglo-Iranian Oil Company Limited, the chairman recalled the historic relationship between the two companies. Burmah Oil Company money and enterprise had first proved the existence in Persia of oil in commercial quantities. When the Anglo-Persian Oil Company was formed in 1909 the Burmah Oil Company subscribed 95 per cent of the ordinary capital and guaranteed the preference stock. In 1914 the ordinary capital was increased by £2 million, all of which was subscribed by His Majesty's Government. Today the Burmah Oil Company held about 26½ per cent of the

ordinary stock. The Anglo-Iranian Oil Company's important share in the Iraq Petroleum Company also derived from Mr W. K. D'Arcy's interest in Iraq acquired by the Burmah Oil Company along with his Persian concessions.

The report and accounts were unanimously adopted.

The final dividend of 2s. 6d. per £1 unit on the ordinary stock, less income tax at 9s. in the £, recommended by the directors, was approved and declared payable on July 17th, and the balance of £596,047 was carried forward.

Lord Bilsland and Sir William Fraser, the directors retiring by rotation, were unanimously re-elected and the proceedings terminated with a vote of thanks to the chairman.

THE ALEXANDRIA WATER COMPANY, LIMITED, ALEXANDRIA—EGYPT

PAYMENT OF DIVIDEND

At the Annual General Meeting of the Company held on June 24, 1953, the dividend of Fourteen Shillings and Three Pence per £5 share proposed by the Directors was duly declared in respect of the year ended December 31, 1952, but it was decided that Ten Shillings only of this amount should be paid as from July 1, 1953, leaving payment of the balance in suspense. Notice is hereby given that a dividend of Ten Shillings per £5 share on Coupon No. 126, less Egyptian Government and Alexandria Municipal taxes amounting to 1s. 11.67d., will be paid on and after July 1, 1953, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6 King William Street, E.C.4.

United Kingdom Tax at the standard rate will also be deducted from dividends paid in London except when coupons are accompanied by an affidavit of non-residence in the United Kingdom.

Net Profit for the year ended December 31, 1952, £155,400 (last year £168,000).

Coupons referring to share warrants to bearer of the series 120,001-168,000 must be listed separately on special forms. These forms, which also contain instructions regarding the issue of new coupon sheets for this series, are now obtainable on application, from the National Bank of Egypt.

Dated, Alexandria, Egypt, June 24, 1953.

By Order of the Board,

ROBERT WALTON,

Managing Director.

R.C.A.48

OTTOMAN BANK

(INCORPORATED IN TURKEY WITH LIMITED LIABILITY). Notice is hereby given that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of SHAREHOLDERS will be held on Wednesday, August 5, 1953, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m.: to receive a Report from the Committee with the Accounts for the year ending December 31, 1952; to propose a dividend; to replace the retiring members of the General Committee; to be informed concerning ratification of the new Agreement reached with the Turkish Government; to prolong the existence of the Bank for a period of 99 years as from July 3, 1953; to agree modification of the Statutes as proposed by the Committee, following on the new Agreement with the Turkish Government; and to fix the remuneration of the Members of the Committee in accordance with Article 18 of the Statutes.

By the 27th Article of the Statutes the General Meeting is composed of Shareholders possessing at least thirty Shares, who, to be entitled to form part of the Meeting, must deposit their Shares at the chief office of the Company, Istanbul, or at any of the several branches or agencies abroad (in London at 20-22, Abchurch Lane, E.C.4, and in Paris at 7, rue Meyerbeer, 9me) ten days at least before the day fixed for the Meeting.

Copies of the proposed modified Statutes will be available to Shareholders when depositing their Shares.

J. VASSALL ADAMS, Secretary to the Committee.

July 10, 1953.

BARRISTER (31), returned from four years' practice in Middle East, would welcome interesting employment, not necessarily legal.—Box 286.

ASSISTANT ACCOUNTANT, aged 28-35, is required by a West Middlesex Manufacturing Company. Applicant must be fully qualified in financial and cost accounting. Experience in budgetary control and standard costing essential. Post is superannuated and offers excellent opportunity.—Write, stating age, experience and salary required, to Box 287.

MERCHANT BANKERS require recently qualified Chartered Accountant.—Applications, giving age and qualifications, to Box 254, Dorland Advertising, 18-20, Regent Street, London, S.W.1. **MY BRAIN** is all I have to offer, trained legally and academically to First Class Honours standard. Is there an employer who will turn it to practical account offering in return a worth-while future?—Box 294.

ABLE Chartered and Incorporated Accountants required for installation of Management Accounting Schemes. Age 28-40. Industrial experience since qualifying essential. Four-figure progressive salary.—Write, stating age, experience and salaries, to Robson, Morrow and Co., Box 005, 59 New Cavendish Street, London, W.1.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 14 New Bridge Street, E.C.4.

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).

EXPORT SALES.—Dane (31), with broad experience in foreign trade and shipping, seeks interesting position in export sales field. Energetic, cultured, fluent knowledge of Scandinavian languages, English, German, Spanish, Portuguese. Travelled. Resident several years in Spain and South America. Europe-Western Hemisphere preferred.—Box 233.

THE UNIVERSITY OF SHEFFIELD

Applications are invited from graduates of any University for a Douglas Knoop Research Fellowship. The Fellow will be required to undertake research in Economics in the University of Sheffield.

The Fellowship will be of the value of £425 a year, and will normally be tenable for three years.

Applications (three copies), indicating the line of research proposed by the applicant, and including the names and addresses of three referees and, if desired, copies of testimonials, should reach the Registrar, The University of Sheffield (from whom further particulars may be obtained), by September 7, 1953.

Official application forms are not provided.

A.W. CHAPMAN, Registrar.

WOOLWICH POLYTECHNIC, LONDON, S.E.18

Principal: J. S. TAIT, Ph.D., B.Sc., A.R.T.C., M.I.E.E., A.M.I.Mech.E. DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES

The Governing Body invite applications for the appointment of two Grade B Assistants—(i) to teach Shorthand (Pitman's), Typewriting, Private Secretarial Practice and general commercial subjects up to advanced R.S.A. Standard. Applicants should have teaching and commercial experience and a practical knowledge of modern office machines and up-to-date business methods; (ii) to teach English, History and/or Geography up to G.C.E. Advanced Level. Applicants must be Graduates and should have teaching experience.

Salary according to the Burnham Technical Scale for Teachers in Establishments of Further Education: Man—£490-£25-£765, Women—£437-£20-£597-£15-£612 per annum, plus London Allowance of £36-£48, and the following where applicable: (i) Graduate allowance £60 (men), £48 (women); (ii) training allowance £18 (men), £15 (women), for each year up to three for full-time study or training beyond 2 years; (iii) increments for industrial experience up to 12 years; (iv) increments for full-time teaching experience.

Full particulars of the post and application forms may be obtained from the Clerk to the Governors, to whom they should be returned not later than July 18, 1953.

TEXTILE RESEARCH

ENGLISH SEWING COTTON CO., LIMITED, invites applications from young men who are capable of undertaking and supervising Research work into Synthetic yarns.

Applicants must be Graduates with the appropriate scientific training and ability to give practical expression to results. Two or three years' industrial experience an advantage.

The position is a permanent one with Superannuation and a salary commensurate with qualifications, which provides an excellent opportunity for a young man who wishes to initiate new developments in a practical sphere.

Applications, giving age and full details of qualifications and experience, should be addressed to The Personnel Manager, English Sewing Cotton Co., Ltd., Arkwright House, Manchester, 3.

PERSONNEL OFFICER.—Applications are invited for a Personnel Officer vacancy in the Consumer Research Department of a large food manufacturing company in the Home Counties. This is a pioneer position, which offers scope for individual initiative and responsibility in the introduction of modern personnel practice into a new field, and the duties will include the formulation and development of selection procedures, the development of training method, the assessment of performance and the review of wage policies as they affect the employment of a country-wide staff of field interviewers. Initial salary will be not less than £550 per annum, plus non-contributory pension and other benefits. Women aged 25 to 30 years, who have had not less than three years in personnel work and who are prepared to travel within the United Kingdom, should write in confidence, giving full details of career to date, to Box 280.

REQUIRED by important firm of Commodity Brokers and Merchants in City with world-wide connections. Market Representative aged up to 35 years. Fluent French and German or bi-lingua standard in either with working knowledge of the other. Some experience international marketing very desirable. Essential qualifications initiative, energy and drive and good presence. First-class prospects for suitable man.—Write, stating age, experience and salary ideas, to Box 277. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

ECONOMISTS 1943/44, 1946/53 inclusive (unbound) for sale. Many odd copies. Offers.—Box 290.

SALES REPRESENTATIVES, salaried, aged about 35, are required by a Public Company of Leading Food Manufacturers who are engaged in an expansion programme. The areas are: South Western England, South Wales, West Riding of Yorkshire and the Glasgow/Edinburgh areas.

Selling experience, though not necessarily in food, is essential. Applicants must have their own car. Salary £850 per annum plus expenses and participation in a contributory Superannuation Scheme. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952. Box 0200, Lee & Nightingale, Liverpool.

Build your own equipment with

DEXION
SLOTTED ANGLE



Just cut it and bolt it, that's all!

No drawings required—rough sketches are good enough

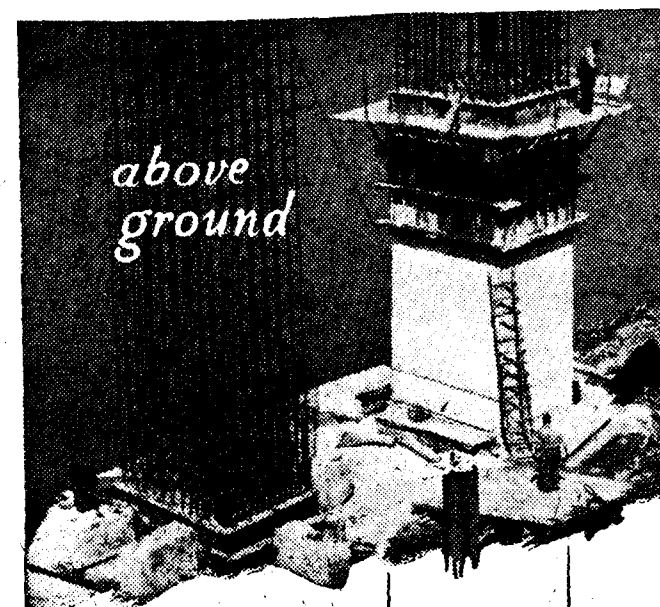
No drilling, welding, measuring or painting. No scrap

Now available in both steel & aluminium alloy.

★ Write or telephone for illustrated booklet 98

DEXION LTD., 189, REGENT ST., LONDON, W.1

Telephone: REGent 4841



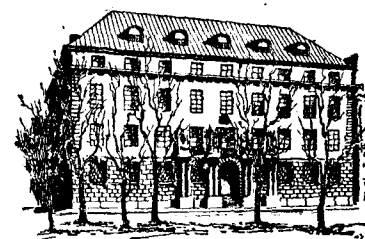
and below

The final stages of yet another example of Cleveland's deep foundation skill. The piers which are to support the mile long Neath River Bridge are firmly embedded in the rock strata, 78 feet below the surface. For any type of structure, in any part of the world, Cleveland's long experience enable them to build to schedule.

CLEVELAND

Builders of Bridges & Fabricators of all types of structural steelwork

STOCKHOLMS ENSKILDA BANK



ESTABLISHED 1856

AT YOUR SERVICE FOR EVERY DESCRIPTION
OF BANKING TRANSACTIONS

TELEGRAPHIC ADDRESS: NITTON

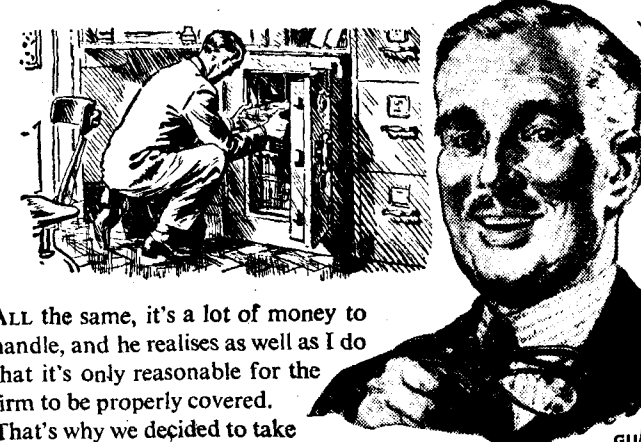
TELEX: 1100. STOCK EXCHANGE DEPT: 1301.

FOREIGN EXCHANGE DEPT: 1302

TELEPHONES: 22 19 40. MANAGEMENT: 22 19 00

POSTAL ADDRESS: STOCKHOLM 16

'Of course I trust him!'



ALL the same, it's a lot of money to handle, and he realises as well as I do that it's only reasonable for the firm to be properly covered. That's why we decided to take out a Fidelity Bond with the 'General'. It's only a matter of a signature—and a reliable man has nothing to fear.

'General' Guarantee Policies can at a very low rate, cover embezzlement and misappropriation risks of all kinds as well as pay-roll and cash in transit robberies. Send off the coupon right away for further particulars.

Peace of mind costs very little

General

ACCIDENT FIRE AND LIFE

ASSURANCE CORPORATION LTD.

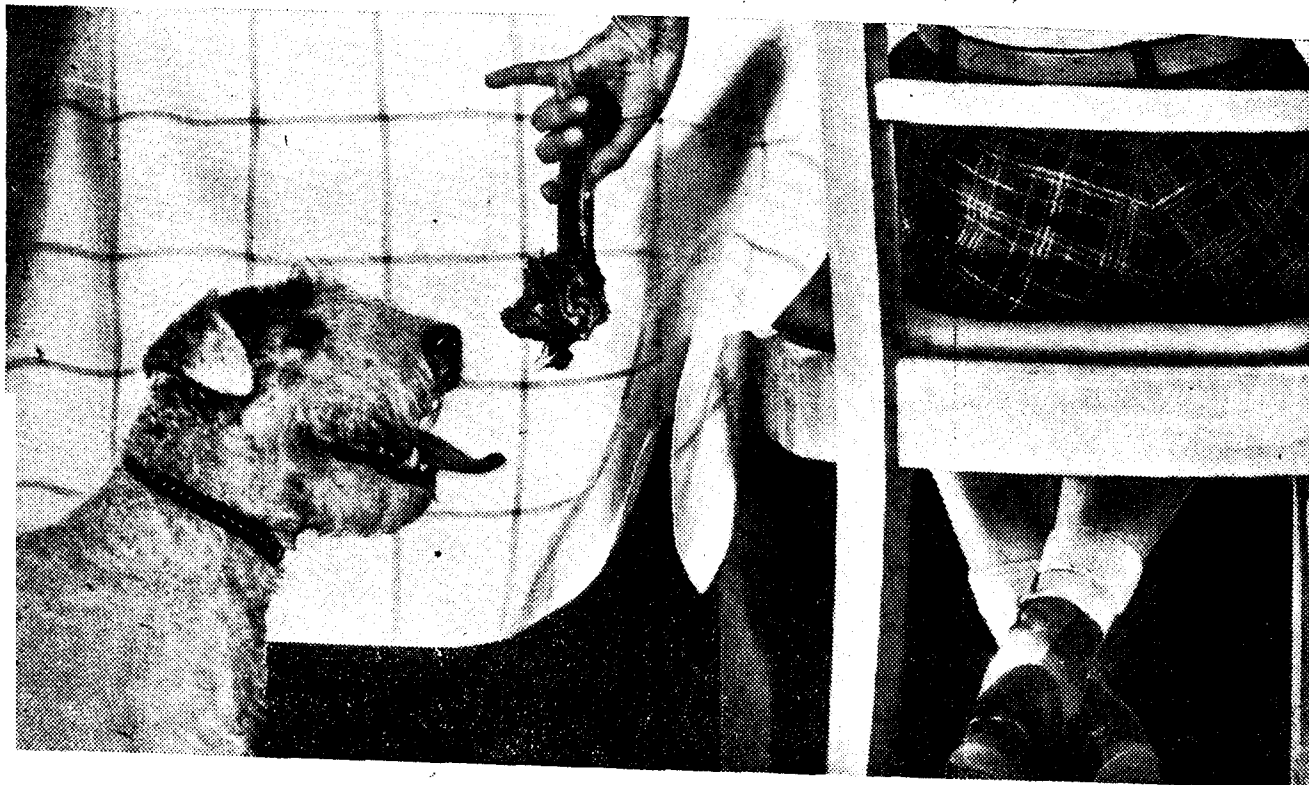
General Buildings, Perth, Scotland

Please send me full particulars and proposal form of the 'General' Fidelity Guarantee Insurance Policy.

Name

Address

FAMOUS FOR ALL CLASSES OF INSURANCE

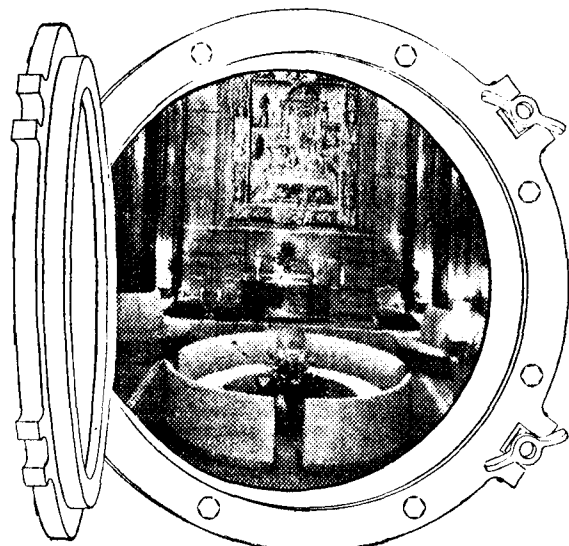


When Understanding is All-Important...

... it is a saving of time and money to find skilled, courteous assistance, instantly available! International House and the International Trade Mart give tangible expression to the good-neighbor policy of the port of New Orleans, assisting importers and exporters, their customers and their shippers to get together to mutual profit. Foreign Trade Zone No. 2

provides New Orleans with the advantages of a free port for landing, storing, processing, manufacturing or re-exporting goods with no customs expenses or formalities.

Ship New Orleans... Port of All-Important Savings



At International House, bilingual secretarial service is one of the many courtesies to stimulate overseas trade.

CHECK ALL THESE ADVANTAGES:

- Ample supply of friendly labor
- Favorable location for trade with entire Mid-Continent area of the United States
- Foreign Trade Zone No. 2
- Ample equipment for all types of cargo
- Connecting rail, truck, barge, air transport
- Ample marginal wharfage
- International House and International Trade Mart facilitating foreign trade
- No lighterage needed

WRITE in confidence for detailed information for:

**BOARD OF COMMISSIONERS
OF THE PORT OF NEW ORLEANS**

2 CANAL STREET, NEW ORLEANS, LA., U. S. A.



"The burning question,"

said King Alfred,

"is how to control the temperature within very fine limits. I hear they'll have the answer in the twentieth century—oil fuel. Now, if only Shell-Mex and B.P. Ltd. had started business in my time, I shouldn't be sitting here cake-watching—controlled heat and oil fuel would be doing the job for me."

**CONTROLLED
HEAT
WITH
OIL FUEL**



INDUSTRIAL SERVICE



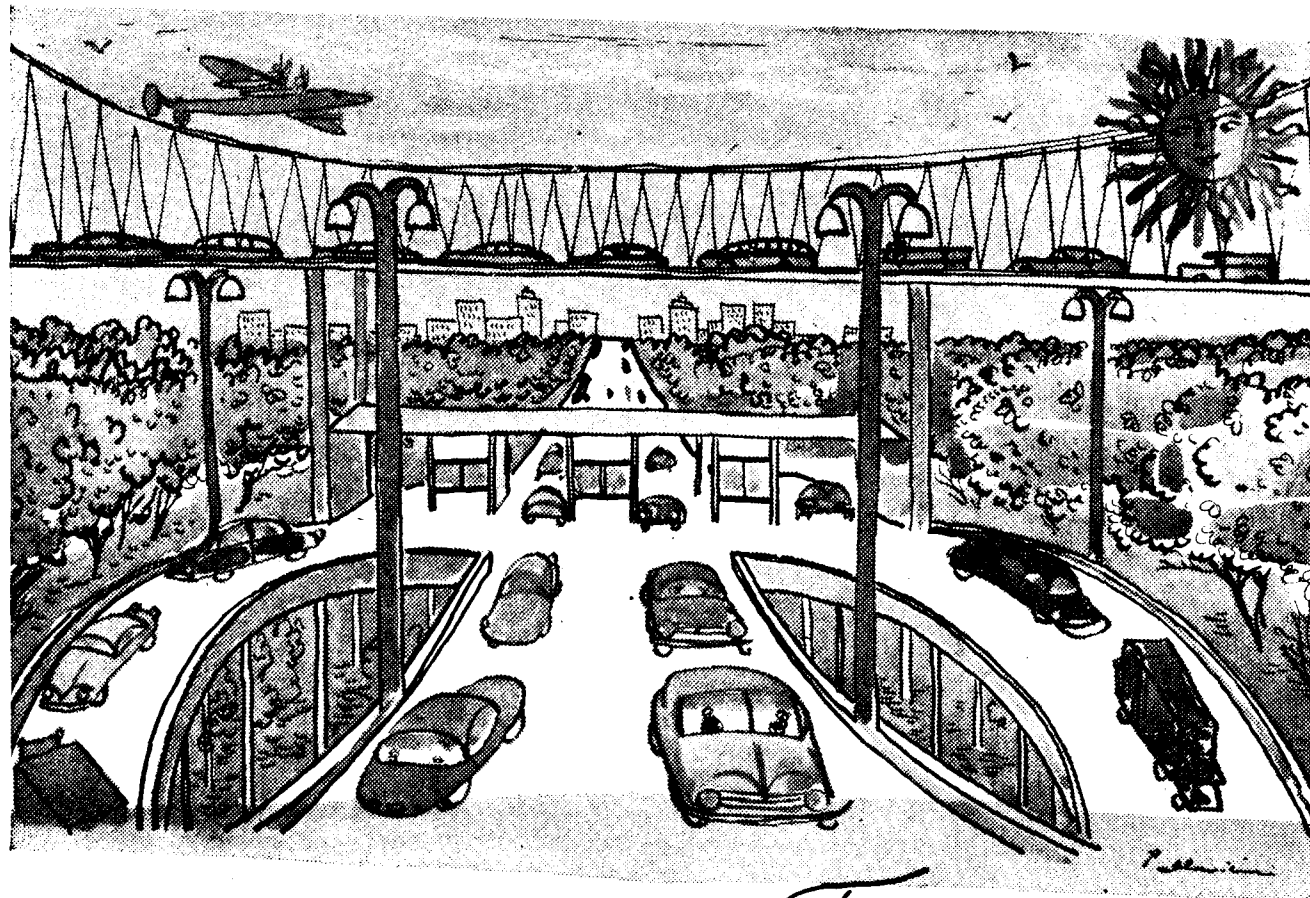
All this...



and a 7 too!

NUMBER SEVEN

**Virginia* Cigarettes 20 for 3/11
ALSO Abdulla Turkish and Egyptian*

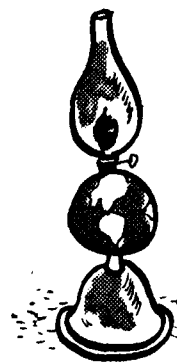


*From first
experiments in 1913*

to worldwide service in

*1953
Schlumberger*

*developments have kept
pace
with the oil
industry.*



*It lighted our lamps
it now powers the world!*

The Economist

FOUNDED 1843

JULY 18, 1953

ONE SHILLING

First Item Germany	153
More Lances against Monopoly	155
The Legal Engine Overhauled	156
Dr. Malan's Roll Call	158

NOTES OF THE WEEK

Frontin' the Far East; Summer Storm in Egypt; Germans as Allies; The Election Prospect; Challenge to Labour; Rationing Struggles On; Tasks for the Supreme Soviet; Backpedalling in Budapest; Panic Among the Bosses; Towards Gold Coast Independence; Theory of the Welfare State; Scotland and Wales; M. Laniel and the Budget; Jerusalem; Britain for Holidays; The Houseworkers Survive; Furnishing Confusions; The Evans Inquiry. 159

LETTERS TO THE EDITOR 169

BOOKS AND PUBLICATIONS 170

AMERICAN SURVEY

McCarthy's False Step 175
No More TVA's? 176
Eisenhower's First Victories; Reprieve for the Boom; Psychological Misconceptions; Beef Stew; Oil in Hot Water.

THE WORLD OVERSEAS

Outpost on the Adriatic 181
The Fall of Beria; Europe and the Defence Community—I; Firm Hand in Pakistan; Trading in "Know-How"; Perón Tries the Velvet Glove.

THE BUSINESS WORLD

Clouds Along the Persian Gulf 189
Investment in Research 191

BUSINESS NOTES

The Limping Surplus; Arithmetic of Balance; Coals to and from Newcastle; Not-so-Private Cotton; Gatt Prepares for September; Bricks and Cement; Some Surplus Rubber?; Valuing Houses at the Pithead; Tin Below £600; Five per cent for Cotton Workers; American Aircraft for Lufthansa?; Spate of New Issues; Two Warnings from Selection Trust; Greeting the Stockholder; Shorter Notes. 193

COMPANY NOTES AND SECURITY

PRICES 203
STATISTICS 206

Insurance Survey

PAGE 217

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

First Item Germany

THE results of the meeting of foreign ministers in Washington are better than had been expected, and it seems unlikely that President Eisenhower, Sir Winston Churchill and their French colleague will find it necessary to meet, whether in Bermuda or elsewhere, for some time to come. Western solidarity seems to have been restored, at any rate for the purposes that lie immediately ahead; and the log jam in diplomacy has been broken not by using a charge of dynamite but by patient pushing and hauling. The results are not dramatic, perhaps not all that Sir Winston Churchill may have desired; but they are reassuring, and perhaps something more than President Eisenhower at one time believed possible. The communiques—which are directed at Moscow and Peking as much as at public opinion in the Atlantic alliance—are courteous, calm and confident. No unfamiliar conditions are laid down to rile the Russians; the emphasis is placed more strongly than ever before on the peaceful purpose of the Atlantic alliance and of the European community that is in the making. The latter "is to be looked upon as necessary in itself and not linked with existing international tensions." Above all, the gates are flung open to renewed negotiation on Germany and Austria. To the question whether a general settlement can be negotiated with Malenkov and his colleagues the answer is given "Wait and see"; but to the question whether an atmosphere of confidence for such negotiation can be created by agreement on limited questions the answer is given "We will try to find out—in Germany."

The time-table of western policy has now been made clear. In the Far East there must first be a truce in Korea, then a political conference on the problems of the peninsula's future; only when that much has been achieved does a broader approach to settlement become practicable. At that stage, if it were reached in reasonable time, it might be possible to link Far Eastern with European matters in the general bargaining. But first the piecemeal approach has to prove itself in Europe, and there the vital thing, as the western foreign ministers insist, is to get "German unity re-established in freedom." That can be done only by a series of agreed decisions which would show that confidence is being restored and tension relaxed. To achieve such results, let it be emphasised, will take time—years rather than months; and the obstacles to progress may prove to be factors that are at present quite unpredictable. The lesson of 1953 so far is that a fluid international situation is full of surprises that may or may not make peaceful negotiation easier. Nowhere is the possibility of surprises greater than in Russia itself, where the adherents of Stalin may or may not be making a come-back, and in Eastern Europe, where unrest and uncertainty have shown themselves all along the lines of communication between Moscow and the Russian army in Europe.

To some the progress contemplated will seem too slow. It will be said that nothing but good could come from the broadest talks with the highest authority in Russia; they would make it possible for the

President and the Prime Minister to measure their man and to sense the motives that lie behind the conciliatory gestures of the last three months. That argument was in fact being used after Sir Winston's famous speech on May 11th; would anyone use it with the same confidence since the disgrace of the deputy premier of the Soviet Union? It will be said that public opinion expects a greater and faster effort to meet the Russians half way; but public opinion in the United States is in a much more cautious mood than public opinion in France, and ways of reassuring the Russians which might be approved in this country would certainly not be approved in Germany. There is no such thing as a united western opinion, save when the Russians are clearly and persistently aggressive. When they improve their public relations, western opinion divides along party and national lines; and the response of western statesmen can be made only by acts and statements which represent a compromise between their governments' views. The alternative is for one statesman to "go it alone"—there was some reckless talk of Sir Winston doing this—thus making it impossible for the West to bring its whole united bargaining power, and perhaps wrecking the chances of bringing together the main protagonists—the United States and the Soviet Union. This possibility has only to be mentioned to be dismissed. But there is all the difference between the bold and dramatic offensives along the cold war front that might occur in another Yalta conference and the local sallies and penetrations that are possible on a limited sector. The former promise nothing but difficulty; the latter might well bring success.

★

Such a sally has in fact begun as a result of the Washington talks. The western governments are proposing to the Russians a meeting of foreign ministers two months hence to discuss the establishment of a free all-German government and conclusion of an Austrian treaty. This is not a new proposal and it is not a new method, but it is the first initiative towards the Kremlin taken since Stalin's death. It may or may not be welcomed, but it can and should be pressed home. The western allies are now committed as never before to securing German unity, and they have to show proofs of good faith both to the Russians and the Germans. The way to do it is to ask at the earliest possible moment for a meeting of the four High Commissioners, who would discuss the measures that must be taken in advance if free elections throughout Germany are to be possible. The Adenauer government, and its Social-Democrat opponents, have made it clear what those measures are; the removal of barriers between the zones, free movement of Germans across all zonal frontiers, and the elimination of the No Man's Land created on the Soviet side of the zonal frontier last summer. To present these proposals to the new Soviet High Commissioner, Semenov, would be to test the intentions of the Malenkov regime in a manner that might appear to it to be at once tempting, perplex-

ing and fair. It would be tempting, because the Russians have consistently asked for a revival of the machinery of Potsdam which enabled the four occupying powers to discuss Germany as a whole; it would be perplexing because it would be difficult for the Russians to restore all restrictions on movement once they had been lifted generally; it would be fair because no arrangements for German unification through free elections would be possible unless the Russians were ready to open up their zone.

It can be objected that to ask for such concessions so soon after the events of June 17th in Berlin is unreasonable; in fact, however, it offers the Russians a way of saving face, and a way suggested by themselves. To them it offers the one possibility of detaching the western allies from the Bonn Conventions and the projects of integrating Germany with Western Europe, the one way of working out a four-power policy for Germany instead of a compromise between an Eisenhower-Adenauer policy and a Malenkov-Grotewohl policy. For this possibility they would probably pay a high price. Dr Adenauer himself, like his political opponents, is well aware of this Russian calculation; but he appears to be willing to accept the risks involved for him in a return to four-power consultation. Now that the western allies have decided to take the initiative, it is important that they should maintain it by probing at once into the delicate sector of Eastern Germany.

This, for the moment, would be enough to go on with. Convulsions may shake the Kremlin between now and mid-September, but the people of the West will take their holiday. So, too, will their political leaders. The forces of Nato will, as the Washington communique emphasised, remain on guard; if the Kremlin's attitude stiffens again, as it may in face of what has happened in and around Russia, nothing of substance in the policy of containment has been abandoned, dim though the prospects of the European Defence Community now look. But if the Russians seize the chance of serious negotiation about Germany's future, then the western foreign ministers must expect to find any major concessions that Malenkov may proffer accompanied—as Sir Winston Churchill has indicated—by a demand for guarantees of Russia's security against Germany. If they have not considered during their Washington talks what this would require of the West they should begin doing so at once.

The Economist — BY AIR

Annual Subscription Rates

Anglo-Egyptian Sudan : £5 10s.	Iraq : £6.
Australia : £8 5s. (sterling).	Japan : £9.
Canada : \$21.50 or £7 14s.	Malaya : £6 15s.
East Africa : £5 5s.	New Zealand : £9 (sterling).
Egypt : £5 5s.	Nigeria, Gold Coast : £5 5s.
Europe (except Poland) : £4 15s.	Pakistan : £6.
Gibraltar, Malta : £3 15s.	South America and West Indies : £7 15s.
Hongkong : £7.	Union of South Africa : £5 10s.
India and Ceylon : £6.	U.S.A. : \$21.50 or £7 14s.
Iran : £6.	

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

More Lances against Monopoly

THE Monopolies Bill has stimulated little controversy in the House of Commons. It could hardly be otherwise. No one who thinks that restrictive practices in industry should be investigated at all can be satisfied with the existing pace of the investigation. The Monopolies Commission required three and a half years to complete the first six enquiries with which it was charged in March, 1949. It is true that the attack on monopoly was not intended to be, in the early stages at least, more than gradual. But what has in fact happened is not gradualism; it is almost inaction.

It is true that the investigations must, if they are to command confidence, be painstaking. It is equally important that they should be extensive. No one supposes that restrictive practices, in the broad sense, are confined to a few exceptional corners of the British economy. They are widespread. The object of studying particular cases is to trace exactly how the practices work and what their effects are. But if the conclusions are to carry any weight, whether in criticism of monopoly or in its justification, the examination must extend over a reasonably wide front. If it is worth doing at all, it is worth doing faster than has proved possible for the existing commission.

The parties' agreement on the present Bill is, therefore, simply a logical consequence of previous legislation. The Bill's main proposal is to increase the size of the commission—from ten to twenty-five members—and to empower it to work in groups of five. This will enable many more industries to be investigated concurrently. At the same time, the position of the commission's chairman and his two deputies is, very rightly, enhanced. Provided that the legislation is backed by an anxiety at the Board of Trade to give the commission all the fact-finding staff it requires, in numbers and quality, the result should be considerably to accelerate the investigation of monopoly practices.

That is important, but is an improvement in machinery, not an advance in principle. It brings the actual practice into line with the attitude towards monopoly that both parties adopted in 1949, when the existing legislation was passed. But have not opinions in the meantime moved a little forward? This is not, admittedly, an easy thing to measure. Both Labour and Tory views on the virtues of competition are still confused; most criticism of restrictive practices remains tentative. But there has been a shift. Something of the general reaction against postwar rigidities—against nationalisation, state controls and the over-valuation of security—has been passed on, intellectually at least, to other practices. The proposition that private enterprise must justify itself by being enterprising is a little less a piety and a little more a precept. This is true as yet only of individual attitudes; it has not penetrated the offices of trade associations, still less of trade unions.

But the views expressed both in industry and by politicians do indicate, even within the past two or three years, some small change. No doubt even the most determined government could take only a step or two in advance of public opinion. Nobody, perhaps, was expected to take too literally the brave declaration in the programme on which the Conservatives won the last election:

We believe in the necessity for reducing to the minimum possible all restrictive practices on both sides of industry, and we shall rely on a greatly strengthened Monopolies Commission to seek, and enable Parliament to correct, any operations in restraint of trade, including of course in the nationalised industries.

But the present Bill hardly comes up to the spirit even of these vague phrases. It is as if the Government had talked of abolishing slavery but then introduced a measure under which the worst cases of cruelty to slaves might be investigated.

★

Restrictive practices on the trade union side of industry are now conveniently ignored. In another respect, the failure to carry out the election promise can be excused. A Select Committee is considering the relationship between Parliament and the nationalised industries. Until it has reported, the question whether these industries should be brought within the purview of the same commission as private monopoly can properly be postponed. The President of the Board of Trade, however, has attempted to use a similar argument to justify delay in the sphere of private monopoly. The commission is now for the first time examining how a general type of trade practice—exclusive dealing and the collective boycott—affects the public interest, not in one industry but in all industries. Mr Thorneycroft seemed to think that no change in the method of attacking monopoly should be made until this inquiry was complete. There are two objections to such a view. It involves an unconscionable delay. The commission's report on exclusive dealing cannot be expected before the end of next year. On this basis, new action against monopoly practices cannot be prepared until 1955. Politically, the Government would be unwise to put off so long one of the very few measures for which it has the sanction of the electorate. And in terms of economic policy, how—if the Tories meant what their programme said—can such a delay be justified?

Moreover, the argument rests, unless it is a deliberate evasion, on a complete confusion of thought. There are two stages in any attack on monopoly. The first is to formulate some conception of what the public interest requires. The second is to build up a body of case law on how restrictive practices are related to this public

interest. The second is a gradual process whatever the form of anti-monopoly legislation—even where, as in the United States, it starts from a clear condemnation of all restraints on trade. The restrictive practices that are actually illegal still depend on a series of judicial decisions, decisions whose nature is fairly constantly shifting. That, in this country, is the business of the Monopolies Commission. It remains the business of the politicians to establish the concept of the public interest that the commission uses as a standard. To leave it to the commission is either a pretence or a means of ensuring that the commission is ineffective.

The present state of opinion has been usefully illuminated by the debates on the new Bill. There are two main elements. The public interest in cheap goods is obvious, and almost everyone recognises that unrestricted competition, whatever else it may do, almost always makes for cheapness. Secondly, there is a public interest, less easily defined but quite genuine, in the stability and continuity of industries and services. This is the root of most serious defences of restrictive practices; continuity is a public interest that competition may sometimes injure—though probably less often than is commonly supposed.

These two elements were widely recognised, with varying emphasis, in Parliament. They would be sufficient in a world without science, where industrial techniques never changed. In the real world, there should be a third and most important element in the attitude to monopoly. That is the public interest in

economic progress, in the inventiveness, enterprise and risk-taking of firms developing new products, adopting more efficient methods, seeking new markets. This dynamic interest is not always identifiable with competition. In some industries, it may be only the very large firm—leaving no room for direct competitors—that can have the resources for research and innovation which modern technology requires. This is a reason for tempering, sometimes, the attack on monopoly or near-monopoly. It is hardly ever a reason for tenderness towards restrictive practices in the wider sense—towards agreements restraining competition among many small firms. In general, competition is unquestionably the most reliable spur to industrial innovation. Besides this, the uncomfortable changes and uncertainties that it brings are of very small account.

In these matters, the ministers of a free-enterprise government should be leading opinion. They may still doubt whether any satisfactory concept of the public interest in competition can be formulated precisely enough to be written into new legislation. But, at least, if all the elements in that interest were more clearly recognised, there is little doubt that the commission would quickly become more effective. It could stop assuming that restrictions on competition are all right until they are elaborately proved to be bad in particular cases; and the Government would then begin to fulfil the promise of its election propaganda. There are few respects in which so important an achievement is open to it.

The Legal Engine Overhauled

THE committee appointed in April, 1947, with the Master of the Rolls, Sir Raymond Evershed, as its chairman, to inquire into the practice and procedure of the Supreme Court has this week published its final report [Cmd. 8878]. The report gives a detailed account of ways in which the efficiency of the courts could be improved and, in particular, the cost of litigation could be reduced. How the report is to be implemented is another matter.

The subjects covered by the report can be divided, roughly, into six groups. Its main body deals with the methods by which civil actions are conducted; after all, the bulk of the cost of litigation is in fact the cost of employing a lawyer, or more than one lawyer, to carry out the detailed steps by which an action travels from start to finish. The second subject is that of appeals; the third deals with the assessment of the costs of an action when it is over; and the fourth with counsel's fees. There is a section on litigation at the public expense and a final one on the distribution of business among the divisions of the High Court, with some comments on commercial arbitrations. In general, the committee has been in the position of a garage mechanic overhauling the engine of a car to find out how it

could be made more efficient in its running. It was not a motor designer planning a new and ideal piece of mechanism.

What is said about the methods of conducting High Court litigation is, inevitably, a mass of detail. Little purpose would be served by attempting to follow the committee down every bye-path it was compelled to explore. In outline, the stages in a High Court action are three. The plaintiff launches his claim and the defendant files his defence. The action then comes under the jurisdiction of a Master, an officer of the court, who controls what are known as the interlocutory proceedings. These decide where and how the action shall be tried, and make arrangements about documents, expert witnesses, plans, models and the like; in short, the purpose of the interlocutory proceedings is to weed out the inessentials, and to make the trial itself, as far as possible, a clear-cut contest on certain defined issues of fact, or law, or both. The third stage is the trial itself.

Interlocutory proceedings may themselves waste money. Still more, if the Masters are not expert and determined, they may fail to eliminate what is really irrelevant and so permit of wasted time, and money, at the trial. Two litigants who desire the point at issue

between them to be decided as soon as possible, and who employ competent lawyers who are neither under nor over worked, do not need altered rules to keep down the costs. The Master, and the rules, have also to deal both with the litigant who wants every delay he can get and with the lawyer in whose mind the saving of costs is not at the forefront. The committee makes many practical suggestions, both on how the powers of the Masters can be strengthened and on how the Masters can save costs in an action. One of the weak points of the present machinery of the courts is that too little thought seems to have been given to the role of the Master. If necessary, the committee thinks, the appointment of more Masters will save time and money; they will sift further the work falling to the judge. In view of the importance of their work—at least, of the importance of what their work might be—the status of the High Court Master today is probably too low.

★

On the question of appeals, the committee does its best within the limitations of its terms of reference. The original Judicature Act of 1873 was suddenly amended, before it came into operation, and the House of Lords as an appellate tribunal was spared from destruction, although a separate Court of Appeal had been created. Since then litigants, and probably justice, have suffered from the fact that there are two courts of appeal in civil actions. Such a system is indefensible in logic and has not worked well in practice, for the House of Lords and the Court of Appeal certainly do not always see the law in the same way. The best the committee can do in these circumstances is to suggest that certain kinds of appeal may be “leap-frogged” over the Court of Appeal, from the court of first instance direct to the House of Lords. Since there is little prospect of Parliament taking its courage in both hands and dispensing with either the House of Lords or the Court of Appeal as an appellate tribunal, this suggestion has at least the merit of practicability.

The third and fourth subjects of the report are the assessment of costs and the question of counsel's fees. The present practice is that the bill of costs of the solicitor for the successful party is submitted to an official of the court for “taxing,” or assessment, and the loser must pay what the official finally allows. Most of the individual items in the bill are fixed by statutory order, but some are discretionary, particularly counsel's fees. In the United States, the successful litigant recovers virtually no costs from the loser; in Canada, no more than a portion. The committee does not recommend a complete change to such a system here. It does, however, suggest that in the end the recoverable costs of the successful party may have to be limited to some set standard.

On the question of counsel's fees, the principal argument has long been over the custom of the Bar by which a junior counsel is entitled, on his brief for the trial of an action, to a fee equal to two-thirds of that paid to

his leader, regardless of the part he plays, or is expected to play, in the conduct of the trial itself. This custom produces the curious result that, since the more experienced leaders command the higher fees, junior counsel may be paid a very high fee for a brief that imposes virtually no responsibility on him. The defence of the system is that the fees payable to junior counsel for work done in the interlocutory stages before the case comes into court (which is his particular province since, by custom, a Queen's Counsel is debarred from such work) are so low that the two-thirds rule is no more than a means of giving him proper pay for the total of his effort. The committee goes no further than to suggest a relaxing of the strict rule where the leader's fee exceeds fifty guineas. Four members of the committee, in an addendum, argue that the proportionate custom itself—and, indeed, also the rule that a QC must always be accompanied by a junior—should be abolished. They further think that the fee a barrister charges to his own client (as distinct from what can be recovered from the other side in the event of success) should be decided by an independent tribunal if it is not freely agreed.

Finally, there is a useful proposal from the committee on litigation at the public expense. Occasionally—and not only in Revenue matters—a case involves an undecided or doubtful point of law of wide application. The committee proposes that, if the Attorney-General certifies that the clarification of this point would be in the public interest, the costs of prosecuting the action should be borne from public funds, regardless of the means of the parties. This assistance would probably be limited in normal cases to the costs of an appeal from the Court of Appeal to the House of Lords, but assistance should be permitted at any stage after the issue of the writ.

★

There remain two other points, one raised in the addendum by the four members, the other by the report as a whole. The first is the fusion of the two branches of the legal profession, barristers and solicitors. The addendum recognises that this does not come within the terms of reference of the committee, but argues that it is important enough to justify the appointment of a separate committee of inquiry. The medical and the accountancy professions, while they are not exact parallels, provide two contrasting examples. There is a division of function between the general practitioner and the specialist which corresponds in some ways to that between the solicitor and the barrister. The accountancy profession, on the other hand, has not thrown up any general order of independent specialists. The accountant, particularly the accountancy partnership, carries out all the work that falls to the profession, including if need be the argument of points of law with the Inland Revenue, without recourse outside the individual office organisation. In the case of the law, one thing is clear; arguments have gone on long enough

to show that the legal profession itself will not originate any proposal for fusion. If that is to come, it can come only when public opinion is positively in favour of it, and the public is entitled to the evidence that such a committee could collect and sift.

The remaining point is the future of this report. With the best will in the world, the Lord Chancellor's department, the Rules Committee of the Supreme Court, the General Council of the Bar and the Council of the Law Society cannot hope to bring the various changes suggested by the committee into operation at the drop of a hat. Indeed, it is not simply a matter of altering some rules and leaving it at that. For some of the reforms

suggested, legislation would be necessary. Nor would even that by itself be enough. The committee emphasises that what is needed is a new approach by the courts, their officials and the legal profession, and that little will happen without such co-operation. Many forms of litigation have declined in recent years, and the commercial world increasingly tends to settle its disputes by other means. This is silent but eloquent testimony to the fact that the courts have not in recent years been serving the public as well as they might. Unless all branches of the legal profession are prepared to accept the service of the public as their only final justification, no purely formal changes will accomplish very much.

Dr Malan's Roll Call

IN the recent South African election campaign the leader of the Opposition, Mr Strauss, produced the idea that the colour question ought to be "taken out of politics." At the time, this was widely regarded as no more than a veil for the United Party's lack of any clear policy as regards racial problems. Certainly Mr Strauss did not expect his seemingly harmless phrase to rebound on his party. Yet this was precisely what happened. Dr Malan promptly convened for this week a joint session of both houses of the South African parliament to consider a bill that would remove the "Coloured" (which does not mean black) voters in Cape Province from the common electoral roll. If a two-thirds majority of both houses sitting together were to be mustered behind this bill, Dr Malan hoped to attain, by strictly constitutional means, the objective that the courts denied him last year. The Nationalists, despite their victory in the April elections, do not command a two-thirds majority; but the Prime Minister chose to take Mr Strauss's slogan at the letter, and has invited the United Party to allow a free vote.

Only a baker's dozen of Opposition members needed to have crossed the floor to give the Nationalists their triumph, and, as was mentioned in *The Economist* last week, signs of some wavering in the United Party's ranks were not wholly lacking. The government has done its best to encourage this tendency. It has played down the question of a South African republic, and it now specifically proposes that the equal status of the English language alongside Afrikaans should remain "entrenched" in the Constitution under the protection of the courts—which, under the new Bill, were to be stripped of the right to test the validity of laws on any other subject. To quite a number of United Party members the fate of the Cape Coloured electorate, once divorced from the broader constitutional question, does not seem of vital importance.

Yet it is the unity of the Opposition that is now the Nationalists' chief quarry. Although Dr Malan was bound by his election pledges to proceed at once for the political segregation of the Cape Coloured voters, failure

to gain this objective would hardly be a mortal blow to him. But, whichever way the voting at the joint session goes, the Nationalists are confident that their tactics will succeed in revealing new rifts within the Opposition. By conforming, however belatedly, to constitutional procedures, they have robbed the United Party of its clearest rallying-cry—the defence of the constitution. Since the elections they have seen Mr Strauss's following disintegrating at both its conservative and its liberal extremes, and scarred right across by the emergence of the Natal-based "federalist" group, a heterogeneous party united only in its desire to maintain the British connection. Indeed, on present form, Dr Malan has good reason to believe that for some time to come he can keep the parliamentary opposition on the run—in several different directions. Another general election at an early date is an obvious possibility.

The permanent cohesion of the Nationalist Party itself cannot, of course, be taken altogether for granted. While the Prime Minister's personal position is still unchallenged, his political life must now be drawing near to its end. The April elections, which demonstrated the swiftly growing strength of the Transvaal Nationalists, made it even more probable than before that their leader, Mr Strydom, would inherit Dr Malan's mantle: and Mr Strydom is a somewhat controversial figure within the party. The party itself now that it seems able to count on five years of power with a comfortable majority in parliament, may not be able to retain the tautness that has marked it since 1948. As last week's parliamentary debate showed, the twin issues of republicanism and Commonwealth relations are particularly difficult ones for a government which has to deal with hotheads on its own benches.

Indeed, it is arguable that the Nationalists would have cause for regret if they should succeed in navigating quickly past such problems as that of the Cape Coloured vote. Issues of this kind provide good campaigning

slogans—"the sovereignty of parliament" has served the Nationalists as well as, perhaps even better than, "defence of the Constitution" served the Opposition—and their practical implementation raises no insoluble problems. As yet the Nationalists have scarcely begun to think seriously about the final consequences of a full-blooded policy of *apartheid*. During the election campaign, the constitutional issue and the immediate counter-measures taken against the non-Europeans' passive resistance movement served them as a shield to deflect awkward questions about the economic future of South Africa. At the present moment the embarrassments of the Opposition still protect the government from any such disquieting confrontations with the future.

★

Hard facts cannot, however, indefinitely be blinked. Behind the apparent triumphs which the Nationalists have recorded (and may yet record) lies the grave reality of a country whose bitter divisions are being rapidly and deliberately deepened, and whose urgent economic problems are still set aside. While soil erosion quietly carries off South Africa's fertile topsoils, the racial policies of Dr Malan's government are cutting jagged gullies through its human foundations. The supreme political problem in the Union, as elsewhere in the continent, is to foster among the Africans a public opinion interested in co-operation with the Europeans,

and to encourage a reciprocal attitude on the European side. The Nationalists have not merely failed to tackle this problem; they have not even been content to ignore it; they have exacerbated it. As yet there is no sign that they have any policy, other than repression, with which to meet the Africans' growing political consciousness. They have been lavish enough already with their repressive measures, and there are doubtless more rods in pickle; but the sterility of these methods has now been amply demonstrated. The discipline and restraint shown by the non-Europeans in their passive resistance campaign were a revelation, as was also the unity which that campaign showed to exist between Bantu and Indian groups. The political awakening of at least a broad segment of the non-European population of the Union is now a fact beyond dispute.

The real task before South Africa is, therefore, much less to find ways of taking the non-European problem "out of politics," than to find ways of bringing the non-Europeans into politics in a manner suited to their present stage of development. It is South Africa's problem, and it is inevitably somewhat invidious for any country to have to listen to home truths from abroad; but opinion in Britain and elsewhere in the Commonwealth cannot be expected to remain silent on the matter, for it is one of common and deep concern. What happens in South Africa cannot but cause repercussions in other parts of the continent, and especially in those areas for which Britain has direct responsibility.

Notes of the Week

Front in the Far East

FOR far too long the idea has been generally accepted that the East is East and the West is so hopelessly divided on the subject of the East that never shall the views of the Big Three meet. The communique on Far Eastern matters issued after the foreign ministers' talks in Washington should do a good deal to redress this impression. The gap between American and British attitudes to Communist China has never in reality been an unbridgeable one, and the ministers appear at least to have established this fact authoritatively for the first time. They have agreed to maintain their "common policies" towards China for the time being—and, by implication, to refrain from biting each other's backs as regards those aspects of their relationship with China on which they have taken different stands in the past. This is surely as satisfactory an agreement as can possibly be reached as long as Mao Tse-tung's armies continue not merely to bear arms against the United

Nations, but also to press repeated and savage attacks on the Korean front.

President Rhee's intransigence has been another factor inhibiting any attempt to shape a comprehensive policy on Korea. But here again, the foreign ministers have found and set forth an important common factor—which happens also to be an essential principle. They announce, in very carefully chosen words, that

if the Communists should renew their aggression in Korea after an armistice and again threaten the principles defended by the United Nations, their governments would, as members of the United Nations, again support the restoration of peace and security.

Attempts will no doubt be made, by those whose chief aim is to divide the United States from its allies, to represent this pledge as a Franco-British surrender to American pressure. Such attempts would be extremely disingenuous. The foreign ministers' statement represents, in reality, no more than a reaffirmation of an undertaking by which all three nations have long been bound. Resistance to aggression in Korea is a plough from which the hand can hardly

be removed in mid-furrow without the loss of both honour and material advantage. At the same time, the foreign ministers have been careful to avoid giving Mr Rhee the least encouragement to believe that any adventurous moves on his part would automatically obtain the armed support of the countries that have fought so long in his defence.

The Big Three have also shown once more that they are fully aware of the danger that a truce in Korea might actually increase the Communist pressure on South-East Asia. There is nothing new in the communiqué's explicit recognition of the vital nature of the struggle in Indo-China, but this is a point which still needs to be made again and again to a largely uninterested public opinion in Britain and America. The final section of the communiqué on the Far East, on the other hand, is addressed primarily to France; Mr Dulles and Lord Salisbury have taken advantage of the French government's latest proposals to Vietnam, Laos and Cambodia to establish the fact that yet another gap has come to assume more manageable proportions. To some readers, and perhaps not least to M. Bidault, the phrases used by his two colleagues with regard to the nature of the French Union may not seem as precise as the facts warrant. But, however much the past record of French relations with the three Associated States may justify continued scepticism, it must surely be common ground that France's recent initiative has opened up encouraging new possibilities for those relations, and that the essential task at Washington was to encourage, rather than to warn, those concerned.

Summer Storm in Egypt

UP till last week-end all was quiet in the Canal Zone while General Neguib and his team turned to their immense task of handling Egypt's internal problems. They had begun acclimatising an unstable people to the thought that they must work out their own salvation, expect slow progress and accept austerity. Their budget, and the accompanying speeches in which General Neguib explained why he could not make ends meet by soaking the rich and why he must tax bread and sugar, were masterpieces of sobriety.

Suddenly a leading aircraftman of the R.A.F. was abducted in Ismailia. He was last seen in company which led the British military authorities to suppose that known persons could explain his disappearance. They asked for Egyptian help in tracing him but, when they did not immediately receive this, made the psychological mistake of making in writing a threat of reprisals. This, as might have been foreseen, helped the Egyptians to vault back on to their high horse; they at once made it public. Since the threat turned out to be nothing more than the familiar reimposition of road-blocks and the searching of vehicles, it contributed nothing to the discovery of the missing aircraftman. Perhaps, fortunately for the British Commander-in-Chief, Major Saleh Salem, Minister of National Guidance, also made a psychological mistake by grossly overstating Egypt's intentions of counter-reprisals. The two errors cancel out, and the sudden storm has abated; but the unsuitability of the British method of handling it is apparent if one asks one question: How long are the road-blocks to be retained, keeping British and Egyptian tempers simmering, if the aircraftman remains missing?

Germans as Allies

THE long and fervid controversy over the European Defence Community, both in Europe and outside, has now a new fact to reckon with. The western foreign ministers in Washington have agreed, in spite of American reluctance, to give talks on German unity with the Russians priority over the ratification of the EDC treaty by France and others. This may be read as a concession to the French insistence that the Assembly will not look at the treaty until it is clear that the Russians will not budge; as a rebuff to Dr Adenauer who pressed for ratification first; as an acknowledgment of the treaty's present unpopularity in Europe (which is described in an article on page 183); and as an admission that the Russians could not be expected to agree that an all-German government should be free to choose its allies if Western Germany were already formally integrated into a European community, and a defence community at that.

The last point is the most important, and it is to be hoped that the Russians take it. Lest they should overlook it, the Washington communiqué stresses that the EDC is part of a general plan for European integration and not merely a scheme for rearming the Germans in a way acceptable to Germany's weaker neighbours. How strong that European community becomes and what the German contribution to it will be depends in large measure on what can be achieved in negotiation with the Russians.

The Americans—especially Congress—tend to make too much of the EDC's function of making German rearmament possible, thereby causing the French to have fears about their own relative strength in the community. The French—and the British—make too little of the contribution that the EDC would make towards protecting the civil power in Germany against resurgent military interests. What most people overlook is the value of the project as a card in exchanges with Moscow. For the first time in the Washington communiqués it has been played with real skill.

The Election Prospect

WITH both Sir Winston Churchill and Mr Eden on the couch of convalescence, the prospects of an early general election are having to be re-assessed. If the state of the Opposition were the only test, the arguments of those who want the Government to appeal to the country in the autumn would have been strengthened. The Abingdon by-election has confirmed the Government's popularity, and any chance the Labour party might have of reversing the position in the immediate future seems likely to be lost at the Margate conference. On the other hand, the Conservative party cannot take lightly the ill-health of its leader and deputy leader. Labour would certainly label its opponents in an election campaign as a government of invalids and peers. It could also accuse the Tories of cashing in on the Coronation. Above all, the Government is afraid of appearing to be making a convenience of the electorate. The voter is supposed to like some clear-cut issue on which to decide and it is by no means clear that

These considerations do not, however, quite settle the issue. That Sir Winston must at some point within the next few weeks make a clear choice has been tacitly admitted more than once. This week Mr Lennox-Boyd, not the least sensitive of politicians, told his constituents that a general election "might become inevitable." Sir Winston himself has made no contribution to the discussion since his Edinburgh speech in the spring, when he denied any intention of holding an election unless the tactics of the Opposition forced his hand. At the time this seemed to allow him plenty of room for manoeuvre, but he could scarcely have imagined that the Opposition would remain so supine during the summer. It has of late wholly failed to provide him with anything remotely resembling a *casus belli*.

Sir Winston, however, is not the man to be unduly fettered by a formula, and he has probably long since realised that the one he laid down at Edinburgh was inadequate. He should also realise that the illness of himself and his lieutenant is irrelevant to his problem. Ill-health is an overwhelming reason for reorganising the Cabinet, but it is not a good excuse for putting off an election if Sir Winston would otherwise decide on one. His choice is between seeking an immediate mandate for a new four-year programme and starting this autumn on a two- to three-year programme designed to carry this Parliament through its full term. The strain which the latter would impose is not to be underrated, but there is no third choice. To think of an election next spring, as some politicians are suggesting, is to toy with the worst of both worlds. If Sir Winston is now unlikely to appeal to the country in October, he should be preparing a Queen's Speech which shows to Parliament and the country a firm intention to continue in office with a constructive purpose.

Challenge to Labour

THERE is no longer any doubt that the Labour party's recent policy statement has failed to provide the intended compromise that both the right and the left wings of the party might accept with fairly good grace. From the left, that was always too much to expect. But open opposition from the right wing, which in public at least is usually more cautious, is another matter. Yet while the Bevanites demand that the statement should be bolder, and should include definite plans to nationalise rented land and industrial assurance, Mr Deakin has now been equally critical; he has made quite plain his doubts about the limited and diluted nationalisation that "Challenge to Britain" does propose.

Mr Deakin has this week been laying about him with great vigour in his counter-attacks against the Left. On policy, he not merely urged the conference of his union, the Transport and General Workers', to reject various resolutions advocating more nationalisation than the Labour party proposes. He accepted even those proposals only with serious reservations. The TUC was known to have doubts about nationalisation in the chemical industry, but Mr Deakin went further and voiced his doubts about the extension of public ownership to parts of the aircraft and machine tool industries. It was impossible, he said, to tell

where nationalisation would begin and end, or how it would affect firms' interests abroad; care must be taken, he argued, not to upset the delicate balance of industries on which others depended. Mr Deakin inevitably spoke in favour of renationalising the road haulage industry; but he called public ownership a "worthwhile experiment," implying that it had gone quite far enough for the present. There were differences of opinion about the best form of administration, and there was no general approval for it among those whose support had to be sought. In the coal, gas and electricity and transport industries there was a feeling that the position of the workers had been improved at the expense of the consumer.

These remarks must be infuriating to those who have striven to find a formula by which the Labour party can still appear to stand for socialism without doing much about it. They are reassuring to those who see in the party's proposals a blank cheque that could be made out for a large or small amount according to the whim of the drawer.

Rationing Struggles On

THE new problem of plenty last week brought the whole system of meat distribution to the verge of collapse. At a meeting on Monday, however, the butchers' representatives decided to accept "under protest" their allocation of imported mutton, provided that retailers in particular areas have the right to refuse meat that would be unsaleable. (As one delegate said, South Wales miners will eat only the best.) The butchers had withdrawn their earlier decision to refuse inferior mutton because the Minister of Food had announced that its price, and that of pork also, would be reduced from July 19th. But they doubted whether the reductions went far enough; they regretted the compensatory increase in the price of beef; they protested against having to take all the allocation or none of it; and they urged that the Ministry should revise its contracts with the Dominions to choke off the inexorable flow of carcasses.

In spite of these protests and provisos the row over ewe mutton seems to be at an end. The offending meat amounts to only 3½ per cent of the total allocation, and at the new prices there should be no difficulty in selling it. Even at the old prices, it seems to have sold fairly well last week-end. It is more doubtful whether the price reduction for pork is great enough. Supplies will reach a new peak in about three weeks' time, and another peak in August and September, by which time beef supplies will also be improving. It seems likely, however, that meat distribution will struggle along under the present bogus rationing system until the return of comparative scarcity in November mercifully ends the anomaly.

The Ministry has been criticised for not building more cold storage space to spread supplies over the year. But this would be an expensive way of doing it. Under private trade an even flow was secured by seasonal variations in the prices paid to suppliers and cold storage was largely their responsibility. It would be wasteful to build cold stores now, when all that is really holding up the return to private trade is the failure to decide how to implement, permanently, the guarantees to farmers.

Tasks for the Supreme Soviet

THE Soviet parliament, or Supreme Soviet, has been summoned to meet on July 28th. It is a bulky body of some 1,400 deputies divided into two chambers: the Soviet of Nationalities representing the various republics and the Soviet of the Union elected throughout the Soviet Union on the basis of one deputy per 300,000 inhabitants. It is not, however, its bulk that prevents the Supreme Soviet from fulfilling its parliamentary functions. Supreme in theory, in practice it is but a puppet, whose real function is to approve unanimously decisions taken by the government and the Party. Nevertheless its rubber stamp is necessary to make many changes legally valid. Thus, a meeting of the Supreme Soviet was convened shortly after Stalin's death to give the sanction of law to the governmental reorganisation and to approve the change of chairman of its own Presidium, the Soviet President. This time it will have to record Beria's dismissal, the appointment of his successor and any consequent changes.

The agenda need not, however, end there. The Supreme Soviet can hold as many special sessions as it wishes, but legally it is bound to have at least two meetings a year. One of these is the budgetary session normally held in the first half of the year, usually in March. Up to now, however, the budget has not been revealed, nor has the current Five Year Plan received parliamentary approval. The national accounts are of particular interest this year, since they might show whether Stalin's successors have made any important changes in economic policy, and also how they intend to fulfil their promises to increase the supply of consumer goods.

The drafting of a new legal code is another item which ought to appear on the agenda. When the amnesty was proclaimed in March, it included a special recommendation to the Ministry of Justice to prepare within a month a new legal code for submission to the Supreme Soviet. Four months have passed and no mention of a new code has been made yet. Will it now appear at all?

Backpedalling in Budapest

MR RAKOSI has not lost much time in stepping back into the centre of the Hungarian stage. Last week-end he gave to a meeting of party activists in Budapest his own interpretation of the new policies recently announced by the prime minister, Mr Nagy; it cannot have been a popular interpretation. He poured cold water on those who thought that good times were only just round the corner and that hard work was no longer the order of the day. He stated in—as he himself put it—"the most clear and unambiguous terms" that there was no change of policy towards the collectives, which must continue to be supported "with the same energy as in the past." He also made it clear that the five-year plan had not been thrown overboard. He maintained that the plan was not (as Mr Nagy had categorically stated) beyond the country's strength; it was, however, necessary to re-allocate some investments so that the standard of living could be more

quickly raised, and he added the significant warning that any changes in the plan would take a long time to work out.

Mr Rakosi's backpedalling does not necessarily mean that the new policies are to be summarily abandoned. On the contrary, he appeared to give them the stamp of his approval; but, at the same time, he tried to minimise their long-term importance. Mr Rakosi, in fact, seems to have been forced by the unexpectedly strong popular and party reactions to Mr Nagy's concessions, to step forward into the limelight again and to show more of his hand than he had at first intended. For it appears that, after Mr Nagy's announcement, many workers immediately decided that plans and norms could be relegated to the dustbin, and many peasants decided to walk out of the collectives at once instead of waiting until the harvest had been gathered in. Many party members, moreover, were deeply disturbed by the turn of events and were wondering where they themselves now stood. Mr Rakosi obviously felt it necessary to reassure these people as well as to demonstrate both that the new government had the support of the Party, and that the Party still had the last word. He assured the party activists that all those who had lost their places in both the Politburo and the Cabinet had "without exception" been given suitable positions elsewhere. In other words, there had been and would be no purge.

Panic Among the Bosses

RAKOSI is not the only Communist leader to be worried about morale within the party. Last Sunday the official newspaper of the East German Communists complained bitterly that some members had wallowed so wholeheartedly in "pessimism and atonement" that they had ended up by thinking that the Communist party had committed nothing but mistakes. According to the *Neues Deutschland*, the party had in fact committed only a few limited mistakes, and there was no doubt at all about the "absolute correctness" of its basic line.

This may seem a doubtful conclusion to draw from the abject apologies made by party leaders both before and after June 17th. But it is likely that these dubious glosses are necessary, in Eastern Germany as in Hungary. Party members are used to "criticism and self-criticism" about failures to carry out the party line correctly; but they are not used to being told, as Grotewohl and Nagy to all intents and purposes told them, that the policy itself is mistaken. How can the minor party bosses now uphold their shaky authority over the factory workers and the peasants? How, indeed, can they maintain their position at all if they are abandoned by those above them and flouted and derided by those below? It is plain that Moscow, if it intends for the time being to pursue conciliatory policies in Eastern Europe, cannot ignore the reactions of its own adherents, who have acquired a vital interest in preserving things as they are.

There is, however, no clear sign that the example of Hungary and Eastern Germany is to be followed elsewhere. In Poland, radio commentators have been very busy mocking at western reports of popular disturbances in Polish towns; but otherwise, to the outside observer, the country seems curiously unaffected by

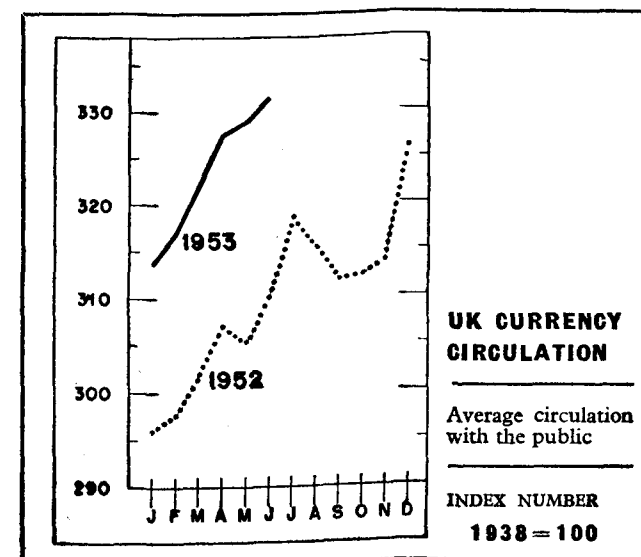
what is going on around it. In Rumania, the sudden—and apparently successful—effort to increase food supplies by digging into state reserves, is most probably due to the need to impress the thousands of visitors expected for the meeting of the World Federation of Democratic Youth in Bucharest next month. Only in Czechoslovakia has the government given way to popular pressure in a way that would have been unthinkable a few months ago. A repressive decree designed to combat absenteeism which was introduced, according to *Rude Pravo*, "in response to the overwhelming demand of the majority of our workers" was completely withdrawn, after representations by the trade unions, barely a week later.

Towards Gold Coast Independence

THE Gold Coast Assembly on Wednesday passed Dr Nkrumah's motion on constitutional reform. His speeches have been notably conciliatory and statesmanlike. In calling for early independence, he declared his confidence that the United Kingdom Government would accede to the demand. "There is no conflict that I can see between our claims and the professed policy of all parties" in Britain. He emphasised that the final transfer of power should be made in a way that would preserve friendly relations between Britain and the Gold Coast, both of them united by a common allegiance to the Crown and by free association within the Commonwealth.

On these terms, full dominion status for the Gold Coast is probably close at hand. Dr Nkrumah has not yet pledged himself to an exact date, as have the Nigerian politicians with their "Self-government by 1956" motion; but circumstances—particularly the tactics of his political opponents—may force him to do so before long.

His statement on the Gold Coast Government's attitude to expatriate officials, also made to the Assembly last week, is thus sensible and opportune. The Africanisation of the civil service has for long been a plaything of Gold Coast politics. Dr Nkrumah now admits that for some years to come the Gold Coast will need the services of overseas officers to maintain an efficient administrative machine.



In the Gold Coast political advance has outstripped the Africanisation of the public service, and we find ourselves on the threshold of independence, having to rely far more on the services of overseas officers than was the case in India, Pakistan or Ceylon.

To allay any feeling of uncertainty among these overseas servants he therefore guaranteed them pensions and terms of service no less favourable than their present ones, and in addition a compensation scheme for those retiring before their time. This scheme, if approved by the Gold Coast Assembly, is to form part of any new constitutional settlement reached between the United Kingdom and Gold Coast Governments. Dr Nkrumah's readiness to continue using the services of Europeans is one of the more encouraging signs that the Gold Coast may prosper with independence.

Theory of the Welfare State

DISCUSSION of the social services—especially discussion of the proper limits to their cost—more often befalls than clarifies the issue for lack of clear agreement on what the social services are intended to do. It is confusedly assumed that they are intended to alleviate want, sickness and incapacity, to deal social justice, to raise the unfortunate above the poverty line or to prevent them falling below "a minimum." But there is no definition of any of these question-begging phrases, and politicians of different creeds consciously or unconsciously define them differently. Because their assumptions about ends diverge, their arguments about means are otiose. Mr Walter Hagenbuch, in the current issue of *Lloyds Bank Review*, has made an acute contribution to the theory of the welfare state by dissecting the various purposes which modern social services may be used to promote.

It will not do to assume that social services are intended to abolish poverty, for what was sufficiency when Mr Rowntree made his first survey of York is rank destitution today. Many nineteenth-century economists believed that poverty would shrivel away as the result of technological progress, so that social services—which they conceived as temporary expedients—would shrivel with it. Only if poverty is defined in absolute terms, as malnutrition, is that so. The poverty line has proved to be something that rises with the standard of living. Indeed, once the conception that the poor are the substandard is introduced, "substandard" can mean anything below the exact average. Nor is poverty a mere passive failure to achieve the conventional necessities of life. It is something that can be self-inflicted, or worse, can be inflicted on a man's helpless dependants, by wilful choice of luxuries (whether television or works of art) against necessities (which may include anything from approved housing to approved schools). The existence of such "secondary poverty" has made it possible to argue for the indefinite extension of state control over personal spending.

If this principle is pushed far enough, social services become the instrument of redistribution of income. There is no limit to the amounts that might desirably be spent on education or health, and the actual limit is only reached when the state controls all personal spending and takes from the citizen's purse the appropriate sums as well as all freedom of choice. The Conservative conception of "need"

and of a means test is roughly handled in Mr Hagenbuch's analysis, and still more complete is his exposure of the Socialist theory of social security as a method of realising "the principle that everything must be free and equal except the progressive taxation out of which it is all financed."

Scotland and Wales

SINCE the Coronation, Scotland, Northern Ireland and Wales have drawn the limelight of the press in turn as the Queen has visited them. This week Scotland and Wales have also been under discussion for their economic problems. Those problems have at least one thing in common; for both countries the Government is asked for more money.

When Scottish trade and industry was debated in the House of Commons, Labour members showed concern at what they regard as an incipient slump. They expected the government to do something about it by guiding industry or at least orders to Scotland. It is true that Scottish industry has lagged behind industry south of the border. Between 1948 and 1951 manufacturing output in Scotland increased by only 16 per cent compared with 21 per cent in the United Kingdom as a whole; mining and quarrying

The Dispute with Russia

The honour and reputation of England is pledged, that on her part at least there shall be no step backward. She owes this to Turkey, which has acted by her advice—to France, which relies upon her steadiness and fidelity—to herself, for she has much at stake upon the issue of the crisis. She is now fairly face to face with a powerful antagonist, in a quarrel not of her own seeking. She has sent her fleet to the Dardanelles on a special mission, and she cannot recall it till that mission is accomplished. If she now recedes before Russia, her prestige both in Europe and Asia will be shaken to its foundation. Whatever it may cost, she must now make good her ground. It is well known that the Emperor of Russia has been emboldened to his aggressive course of action by three deliberate calculations:—that England could not act cordially with France under her present Government in any cause whatever; that she would not be able effectively to man her navy; and that the Peace-at-any-price and the Economy-at-any-cost School were powerful enough to prevent her engaging in a war for any European purpose. How far the language of our Press and of the party alluded to in Parliament may have justified him in these calculations, we will not here discuss. But it is the more important that we should show him now, by our words, by our attitude, by our resolute behaviour, by our ready acceptance of all risks, that he has mistaken our position, misconceived our temper, underestimated our strength, and presumed far too much on our forbearance; and that no voice will be raised to oppose, and no subsidies refused to support, our Government in the management of a struggle at once righteous in its origin, important in its objects, indubitable in its issue, and necessary to the vindication of our honour and the security of our position.

The Economist

July 16, 1853

output was unchanged while that of the United Kingdom increased by 8 per cent. Things have been better lately, however. Final figures for 1952 are not yet published, but it is estimated that production in Scotland fell less sharply than in England; and although unemployment is higher in Scotland than in the country as a whole, it has fallen of late and is only 2.7 per cent of the insured workers. The Government is therefore right in discounting the talk of slump and in its refusing to extend development area policy. At the same time it has made two useful decisions. A peat-burning power station is to be built in Caithness and £1 million is to be spent on roads in the Highlands.

It is not for the industrial, but for the rural sector of the economy that help is asked in Wales. The new report of the Council for Wales and Monmouth includes a pilot survey of three counties; on the basis of this the council recommends that the Exchequer should contribute £60 millions over a period of 12 years to rehabilitate the Welsh countryside, where water supplies, sewerage, communications, electricity supply and so forth are well below the standard for rural areas in the country as a whole. A public corporation would be responsible, and the council hopes that the depopulation of the countryside would be checked, greater output be obtained from Welsh agriculture and greater stability be secured for it. It is true that in many parts of England, where rural amenities have been improved in recent years, migration to the towns has been checked. The same would not necessarily be true in Wales, where the improvement required is so much greater. But the poorest areas certainly have some claim on central generosity.

M Laniel and the Budget

AT the very moment when the Senate Appropriations Committee in Washington is being told that France is "constitutionally incapable" of balancing its budget and putting order in its fiscal house, there are indications that the French economy may turn in a new direction. By giving the Laniel government special powers to govern by decree between now and October 1st, the Assembly has created an essential tool of reform; by supporting M. Laniel's proposals to obtain additional revenue by increased taxation on petrol, by a consumption tax on alcohol and by a special surtax on spirits and wines, it has acknowledged that the job must be done. Anyone who has followed the tortuous course of French politics over the past years and who knows how fundamental this question of home-distilled spirits has been, will realise that the recent crisis has done more than any previous one to create in the Assembly a sense of urgency.

Unfortunately, however, M. Laniel inherits an extremely grave situation from preceding governments, none of which had been given the full power to deal with it, and many of which have been unwilling to use what powers they had. The budgetary deficit at present stands at some 733,000 million francs and M. Laniel's government, in order to enable the Treasury to meet its obligations, is asking the Bank of France for a new loan of 110,000 million francs. This has brought the total advances from the Bank to the state to some 440,000 million francs. The Laniel programme calls for a redemption, over the next months,

of the extraordinary advance of 240,000 million francs made since the beginning of 1953, and the additional taxation is designed to raise the relatively small amount of 60,000 million francs in a full year.

France's payments position is also critical. Although, owing to new restrictions, imports have been generally falling throughout the spring, and although exports rose in June to a record for the year of some 80,000 million francs, France had a deficit in June with EPU of \$56.8 million—a peak for 1953. The probable explanation is that this increased deficit is due to speculative influences resulting from a lack of faith in the franc by French exporters who are failing to repatriate their proceeds and continue to place hidden assets abroad. With simultaneous inflation and under-employment, it is difficult to see how M. Laniel and M. Faure, his finance minister, will reconcile the conflicting needs of drastic cuts in government expenditure and of an expanding investment programme. One of the solutions that is being increasingly urged is that a much larger measure of investment should go into a radical modernisation of French agriculture, whose inefficiency has left under-exploited one of the essential sources of France's national wealth.

Jerusalem

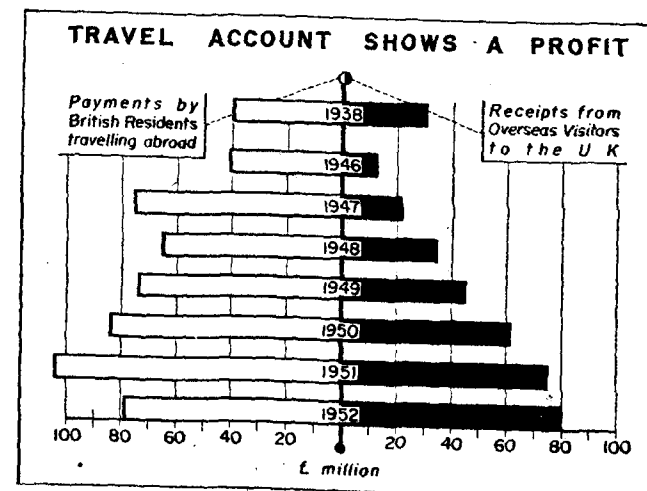
IS any importance to be attached to the Israel government's decision to move its foreign office from Tel Aviv to Jerusalem, or is it merely the last nail in the already sealed coffin of United Nations hopes? Less than four years ago, 38 nations voted for the creation of an international Jerusalem. They are now challenged to put an end to their pretence that they will do what they said they would do; for they will have to decide whether they, too, will for convenience's sake move their embassies and legations, or whether they will remain indefinitely at fifty miles distance from what has *de facto* become the capital. From Israel's standpoint, the move has practical advantages; the Knesset and all other important ministries had gone to Jerusalem long ago and to maintain a foreign office so far removed from them was inconvenient. From the standpoint of its foreign relations, it has ignored the wishes of foreign governments which were pressing it not to face them with an awkward decision, and it has furnished the Arabs with further proof that the United Nations is useless and that nothing short of force will make Israel do anything it does not wish to do.

By tacit consent of the Powers the idea of an international Jerusalem is therefore a dead letter. The city remains indefinitely divided by the great scar of ruined houses, weeds and rusty barbed wire that runs through its centre. On either side two sets of Jerusalemites, living without inter-communication, can see one another moving up and down the streets. Up to date, few cross the line, or want to, except UN officials and members of Christian missions. It is time that more third parties started bridging the gap. Foreign diplomatists, by moving more freely to and fro, could help to counter the untrue tales which each side believes of the other. Yet many of them, most of all the British, are absurdly shy of making a trip which they could turn into an everyday occurrence. Scholars, journalists and

others who move around could do the same. Those who take the plunge find people on either side keen to know hard facts about the other, and it is time to stop behaving as if they were for ever to be divided.

Britain for Holidays

IN 1952 Britain's travel account showed a net receipt for the first time in recorded history. The gross receipts from foreign tourists were as high as those of any country in Europe. As in 1951, more dollars were earned from American visitors to this country than from any single group of exports to the United States; the runners-up were whisky and motor cars. The British Travel and Holidays Association, whose annual report was published last week, notes some of the improvements that have helped to lead to this result. There are more hotel rooms, and building licences have been freely available to the hotel and catering industry. Tourist air services, London floodlighting, and the opening to the public of historic houses added to Britain's attractions. The report also says that "there has been a marked improvement in standards of service



throughout the hotel and catering trade."

As the chart shows, the profit on travel account was made chiefly because British visitors to foreign countries spent less per head than foreign visitors spent here; last year the travel allowance was only £25. But even at the present level of £40, a net earning of foreign exchange may still, in the association's opinion, be made. The chance is very good if the earnings of British transport bringing the visitors are included. The total number of visitors will be higher this year because of the Coronation. No doubt the visitors who arrived in May—nearly 100,000—included many who would have come to Britain in any case, but put forward their holiday to take in June 2nd. Even so, the total for the year is expected to rise to 800,000, compared with 720,000 in 1952.

The report points out that the growth of the tourist trade has by no means reached its limit. This depends, however, on more hotel building than will, at current building costs, take place. To right the balance of payments by making Britain the pleasure resort of the world remains a dream; but it is remarkable how much has been achieved in spite of such disadvantages as climate, licensing laws, the Catering Wages Act and ewe mutton.

The Houseworkers Survive

THIS year's annual report of the National Houseworkers' Institute is of particular interest as an example of the impact of government economies on a minor but useful social experiment. The institute started with a single centre, which had only nineteen applicants for training. In five years it expanded to nine centres, with a waiting list. Of these only two now survive. Economic stringency has also cut back the programme of training for institutional domestic work, notably for hospitals; it has halted the expansion of the daily houseworkers' service; and it has halved the institute's headquarters staff.

The institute is showing, however, an admirable capacity to adapt itself and to operate, ingeniously and indirectly, on a shoestring. The disappearance of most of the training centres has prompted appreciative local authorities to fill the gap in various ways. They may provide, in secondary modern schools or elsewhere, courses of training leading up to the institute's diploma; they may collaborate with voluntary bodies, or give direct financial help to the institute's own establishments. The hospital workers' training scheme has been replaced, for the time being, by advisory co-operation in the hospitals' own training arrangements. Together with the National Council of Social Service, the institute is expanding its experimental courses in home management for young housewives. And the less cut-and-dried but equally important psychological objective—to raise the status of housework—is being pursued through public relations, conferences, and joint committees representing employers and houseworkers. The grants that launched and maintained the institute are in fact justifying themselves even after their partial withdrawal; they have evidently set off a developing sequence. On the experimental fringes of the social services, this semi-accidental pattern of events might well serve as a model to be deliberately followed.

Furnishing Confusions

ANOTHER complication has now been added to the rent restriction complex by a recent judgment in the House of Lords. The point at issue in the case—*Preston and Area Rent Tribunal v. the Queen*—was as follows: Is there a time limit within which the tenant of a furnished letting must apply if he wishes a rent tribunal to give him the right to remain in possession? Or can the tribunal provide protection even if more than three months have elapsed since it dealt with the rent of the letting? The House of Lords agreed to the second proposition.

It has taken over eighteen months for a final decision to be reached on this case, and it is also notable for the considerable disagreement of judicial opinion on the meaning of the statutes concerned—the Acts of 1946 and 1949, which set up tribunals to deal with the rents of furnished lettings. The House of Lords decided the issue by a majority, and its judgment was contrary to the views both of a divisional court and of a majority of the Court of Appeal. Moreover, the latest decision reverses a practice which has been in operation for the last fifteen months or so, on the authority of the

earlier decisions, and creates as many anomalies for the future as existed during this earlier period. Until last month, there was a time limit within which a tenant of a furnished letting might apply for the right to remain in possession, despite the desire of his landlord to get rid of him, and there is a good deal to be said for some time limit in those circumstances. Now, as Lord Reid said in his judgment, a tenant whose application for a reduction in rent is refused may still have a chance of an extension of tenancy at any time if he pleads his case well enough. But, in Lord Porter's view, since anomalies result whichever way the Acts are interpreted, they rule each other out as factors in deciding what Parliament intended the Acts to mean.

Parliament and the Courts between them have in fact created a pretty cat's cradle out of Acts originally intended to give lay tribunals clear directions about what they could and could not do for the tenants of furnished apartments. There is nothing really surprising about that. Parliament and the Courts have, for a much longer period, done precisely the same thing with the Acts that control the letting of unfurnished apartments. But the decision of the House of Lords is another reminder, if any be needed, that the duty of recasting all the Rent Acts, from 1920 onwards, is one which this Parliament, like its predecessors, has so far avoided facing.

The Evans Inquiry

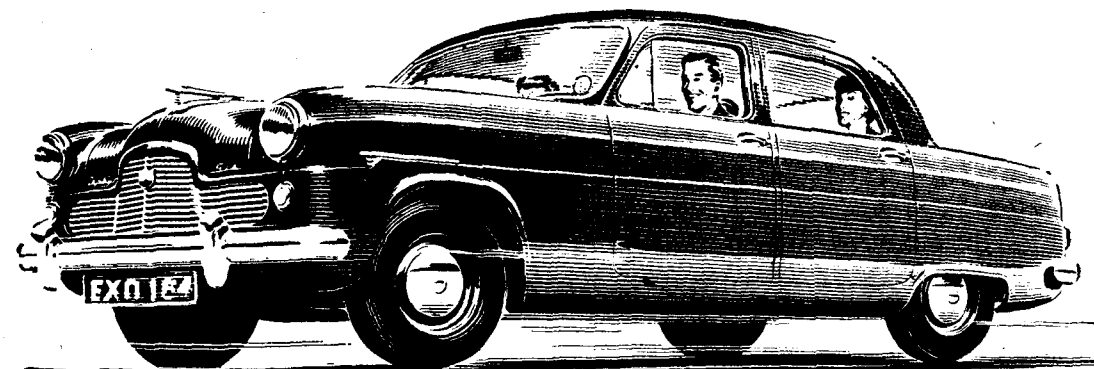
THE official inquiry into the Evans case has removed public misgivings that there might have been a miscarriage of justice when he was hanged in 1950 for the murder of his child. That is the important result of the thorough report made so promptly by Mr Scott Henderson. He finds that the case for the prosecution as presented to the jury was overwhelming; he is satisfied that Evans killed not only his child—the crime for which he was sentenced—but his wife as well; he shows, convincingly, that Christie's confession to her murder was untrue.

These findings ought not, however, to check the questioning of capital punishment that the Evans and Christie cases have stimulated. The whole truth was not known when Evans was convicted and hanged. It is true, in this particular case, that he would have been convicted if the jury had had all the relevant facts before them, and it may well be that the Home Secretary would still not have granted a reprieve. But it is also certain that if all the facts had been known the trial and all the proceedings in the case would have been very different. It remains deeply disturbing that a man can be condemned without it being known that the chief witness at his trial was himself a murderer and that the place where the bodies were found already hid two other bodies also. It is possible to imagine that in another case circumstances might later have come to light which, if they did not alter the verdict, might at least have influenced the decision on whether or not to exercise the prerogative of mercy. It is this possibility that strengthens the arguments against the death penalty. It is confidence in British justice—in the rightness of the verdicts of the courts—that can remain unshaken, not confidence in the administration of an irrevocable punishment.

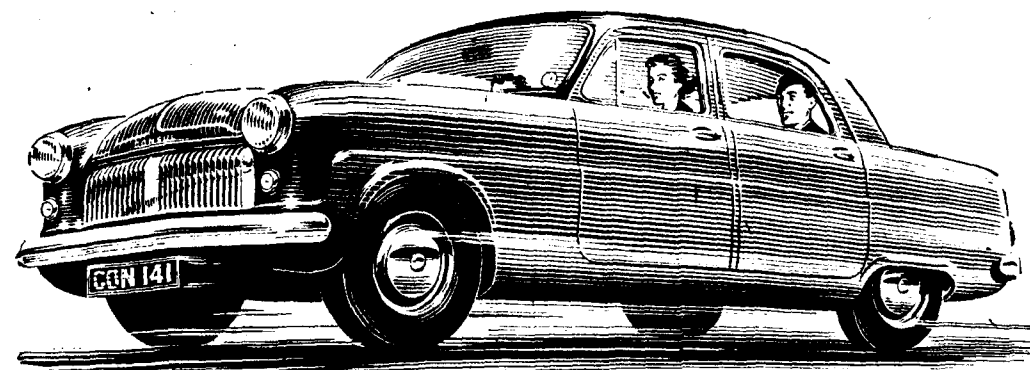
For the sheer joy of driving

it must be a ZEPHYR

WINNER OF THE 1953 MONTE CARLO RALLY.



— — — — — or — — — — —



a CONSUL

The 6-cylinder Zephyr is powered by a brilliant o.n.v. 'over-square' engine. Yet it reaches high speeds so smoothly and has roadholding qualities so unusual that it is certainly one of the *safest* cars on the road. The Consul is a 4-cylinder version of the Zephyr, with the most remarkable performance of any saloon car in this price range. Your Ford Dealer will gladly give you details of each of these '5-Star' cars—and of the finance facilities for both. Which is your choice?

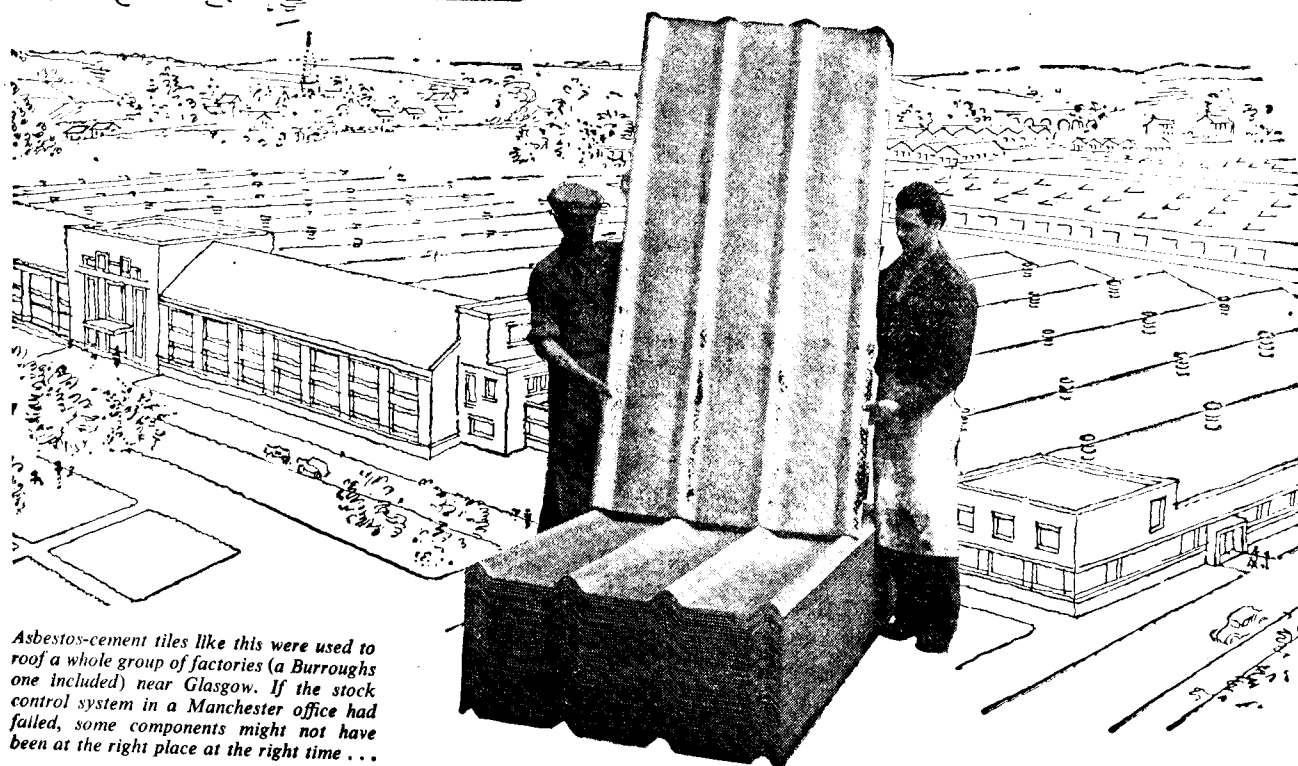
ZEPHYR-6 £532 Plus P.T. £222.15.10
CONSUL £470 Plus P.T. £196.19.2

Visitors to Britain requiring cars for export may order them for early delivery without payment of Purchase Tax from any Ford Main Dealer or from Export Department at our Showrooms, 88 Regent Street, London, W.1. (Regent 7272).

Ford '5-Star' Motoring ★ ★ ★ ★ ★ The best at lowest cost



THE CASE OF THE TRAFFORD TILE



Asbestos-cement tiles like this were used to roof a whole group of factories (a Burroughs one included) near Glasgow. If the stock control system in a Manchester office had failed, some components might not have been at the right place at the right time...

The factory roof had to be assembled in the office!

SOME TIME AGO, Turners Asbestos Cement Co. Ltd., a member of the Turner & Newall Organization, found itself with a pressing stock-record problem. The company's six factories turn out all manner of asbestos cement products, large and small, and, at the central office in Manchester, the management was finding it increasingly difficult to handle a rising volume of stores transactions. In operations that needed most accurate co-ordination (as in the distribution of supplies of roofing in Scotland) day-to-day knowledge of the exact stock position and location became imperative. Were all the components on the spot? Were there hook-bolts enough to secure the tiles?

It was at this point that the collaboration of the machine-accounting specialists of Burroughs Adding Machine Limited was invited to assist in solving the problem.

After investigation Burroughs suggested the installation of their latest Multiplying-Accounting Machines at

the Trafford Park Works of Turners Asbestos Cement Co. Ltd. By use of these machines, Purchasing Orders, the Stores Ledger and its Journal Audit proof sheet could all be calculated, extended and posted automatically—stock balances for all the six factories appearing at a glance on one card.

Result: The Stores Accounts system now gives a continuing picture of the exact position in all the factories. The Chief Stock Controller can tell at a glance the value of total stock and the stock balance at any plant. This system, with its absolute proof of accuracy, makes ordering and controlling possible far in advance of requirements.

What about you? If your business could benefit from faster and more 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.

Call Burroughs today. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service offices in principal cities round the world.



At work on the Stores Ledger for Turners Asbestos Cement Co. Ltd., is Miss Lilian M. Hopson. She is using one of the Burroughs Multiplying-Accounting Machines that helped to solve the Case of the Trafford Tile.

For expert advice on business figuring

CALL IN **Burroughs** 

Letters to the Editor

Trading with Mao and Malenkov

SIR—My attention has recently been called to the following comment on page 797 of the June 20th issue of *The Economist*: "Even the United States bought \$28 million worth of goods from Communist China in 1952."

I should like to point out that this comment, as formulated, misrepresents to a considerable degree the status of US trade with China last year. The figure cited is the officially reported total of US imports in 1952 of goods of Chinese origin (i.e., of goods originally grown, mined, or manufactured in China, regardless of where they were purchased), and does not purport to measure the value of goods actually bought from Communist China in 1952. Although statistics on the latter basis are not available, it is known that the total would be materially smaller than that compiled in terms of origin, since a substantial proportion of the \$28 million worth of goods in question was purchased from countries other than China after having been held in inventory outside China for an extended period. For some of this merchandise, in fact, absence of any Chinese interest subsequent to December 17, 1950, was a necessary condition, under the US Treasury's Foreign Assets Control Regulations, for importation into the United States.—Yours faithfully,

CARL P. BLACKWELL

Department of Commerce,
Washington D.C.

Opportunity for Adenauer

SIR—Mr Kenneth Younger holds that the contentious question has always been whether the incorporation of Western Germany in a western military alliance should be pushed ahead, or whether it should be held up, "lest it should make Four Power agreement on German unity impossible." That was the official Labour argument last summer in opposing United Kingdom ratification of the Bonn Convention interlocking with EDC. In effect it was an argument for indefinite postponement, though Mr Attlee declared there must be ratification "sometime." But when? As the past year has shown, the difficulties in concluding the EDC Treaty have increased with each month of postponement. To whose interest? Certainly not that of the Western Powers in Nato; while relations between Germany and her continental neighbours are clearly less healthy today than a year ago.

A neutralised Germany with an

independent army was the Soviet formula in approaching the Western Powers last year. In essence, that demands the withdrawal of a German defence contribution to EDC or Nato. Mr Younger implies, however, that Four Power agreement on German unity is prejudiced not by such demands, but by the Western policy of a German defence contribution to which his government subscribed, and to which the present government adheres. If that policy is held up to the point of failure, both European and Atlantic unity, as well as German unity, will have been penetrated and the primary Soviet aim fulfilled.—Yours faithfully,

URSULA BRANSTON

London, W.1

The New Paradise?

SIR—One point, if I may, about the highly coloured review of my small book, "Daybreak In China," which you published last week. Your reviewer, with the omniscience of someone who has not been there, comforts his rooted prejudice by asserting that in provincial cities, while I was in China, "anti-social elements" were being executed on the spot in batches after trials 'conducted' by mobs of thousands of people"; and he adds, for good measure, that I "either chose to ignore, or did not notice" this.

Now, far from observing "careful silences and omissions," I discussed this side of things a good deal in my book. I made it clear that I saw no signs of terror, and I explained why I thought that none exists in China now. That your reviewer should have the impertinence to suggest that executions occurred which I either ignored—or "did not notice," save the mark!—merely suggests that he wanted to blacken my book at all costs. But perhaps your reviewer does not know what executions look like: there I have the advantage of him, for it was a sad part of my experience during the war to live for three years in countries under a real and daily terror. In German-occupied Europe there were some of us who became through grim experience quite expert in detecting signs of terror. I can assure you, sir—for it is apparently no use to assure your reviewer—that there is not the most remote similarity between a country living under terror and the China of today. China is not a new paradise—the insinuation that I said it was is your reviewer's, not mine—but it is a country, for reasons given in my book, where hope and happiness and a healthy belief in the future are strongly present. Little gibes may well please little minds: important to us all remains

the solid fact that China is changing fast, and is changing towards good, not evil.
—Yours faithfully, BASIL DAVIDSON
Braintree

[Our reviewer writes: Could we not keep to the facts? "Terror" is Mr Davidson's word; it was not used in the review. It was the Communist authorities who announced during his stay in China that summary executions were taking place after mob trials—for instance, at Anshan on September 21st and at Kunming on September 22nd. These executions were only one out of nine interesting and major developments which the same authorities revealed to be occurring in China while Mr Davidson was there, but which his book does not mention. Since he did not deliberately overlook them, the only alternative explanation is that his hosts kept them from him during his brief stay. In that case his indignation should surely be directed against them, not against the review.]

The Riddle of Prosperity

SIR—Your article of July 11th suggests that the Englishman is more anxious to have leisure than money, while the American prefers money to leisure. If this is so, and I have little doubt that it is, the reason must be sought in past generations.

It is the natural ambition of parents to hope that their children will have a better life than they have had, and in deciding what this better life is they look to those who, in the society in which they live, are regarded as the leaders.

In England in the nineteenth century these leaders were what were known as the "leisured classes." In spite of the fact that many of them worked hard in politics or in their own counties the rest of the country connected them mainly with Cowes, Ascot and grouse shooting, with balls, garden parties and German Spas. Without being consciously aware of it, parents brought up their children with the idea that leisure was the most prized possession, with the results on production that we are seeing today.

In the United States, on the other hand, the leaders of society were the Vanderbilts, the Rockefellers and the Carnegies. In spite of immense wealth and lavish spending, such people still devoted their main energies to making more money. The main outward difference between the boss and the worker was that the former arrived at the office or the mill in a carriage and pair, wearing a silk hat and smoking a cigar, while the latter arrived on foot, dressed in overalls and smoking a pipe. That is why the ambition of the American worker today is not for leisure, but rather for a Cadillac in place of a Chevrolet and whisky rather than beer.

It follows from this that the incentive to production by means of higher profits or wages will fail in this country. What is needed instead is to make leisure cost more, or to make people work harder in order to achieve it. Logically, therefore, we need higher taxes—a complete reversal of Mr Butler's policy.—Yours faithfully,
H. D. WALSTON
Newton, Cambridge

Books & Publications

Russia Modernised

RUSSIA AFTER STALIN.

By Isaac Deutscher.
Hamish Hamilton. 174 pages. 10s. 6d.

MR DEUTSCHER has had the fortune that favours the brave. He began to write this book a few days after Stalin's death in March; it now appears in the very week that minds are seething with speculation about Beria's downfall, and at a moment when the future of western policy depends in some measure on the estimates made of Malenkov's position and of the stability of the Communist empire. If Mr Deutscher's advice is taken the West will try hard and quickly to let the new regime in Moscow negotiate peace with honour; for otherwise there is a grave risk of a Stalinist come-back or even of a Bonapartist phase in Russian policy. "You have been warned," says Mr Deutscher, and there will be the keenest argument not about his credentials as a scholar but about the accuracy of his judgment.

In his favour there is this to be said: that he prophesied a break with the worst features of Stalinism when the leader died—and the break came; that he foresaw trouble with the political police when Beria, with a reputation for intelligent moderation, was put in charge of them—and the trouble has happened; that his analysis of the crisis in the Soviet Union is firmly based on his study of the transition from Leninism to Stalinism and on parallels from the earlier history of Russia. There is also no question that he has done American and English readers a great service by calling them sharply away from obsession with Communism to examination of the realities of a developing society. He brings to the study of contemporary history a calm temper, a searching imagination and a gift for the schematic ordering of events which is at once absorbing and disturbing to the English reader. Here is a liberal mind straining the facts through a Marxist mesh; it is a stimulating spectacle.

But there are difficulties. The results are too neat and symmetrical. If the democratic regeneration of Soviet Russia is frustrated it will be, on Mr Deutscher's showing, the West's fault. If Stalin built up Communist regimes in Eastern Europe (did the process really not begin until the summer of 1947?), it was the fault of the "tempest of the times." The man who is portrayed as following a subtle and consistent policy of "self-containment" for Russia is also credited with creating an empire over a vast area in fits of absence of mind—just

like the British. The politician who was immunised against the western elements of Marxism by his humble Georgian origins and his theological training was none the less a fanatical believer in western technology and planning. Here and there one has the impression that Mr Deutscher prefers paradox to simplicity, and it is curious that the biographer of Stalin and Trotsky should give so little importance to the personal rivalries that show themselves at the death of a dictator.

Yet his basic thesis is completely convincing. Stalinism destroyed, by the industrialisation of Russia and the education of its men and women, "the very prerequisite of self-perpetuation." To modernise Russia he—or someone else—had to be ruthless: barbarism must be driven out, as it was in Peter the Great's day, by barbarism. Lenin had tried to strike a balance between the autocracy that this task required and the democracy for which so many in the party yearned. Stalin cut off both party and nation from the West, and so the Asian characteristics of the peoples of the Soviet Union came to the fore. The Stalinist era became characterised by "the mutual interpenetration of modern technology and Marxist socialism with Russian barbarism." Bolshevism descended in its handling of the people "to the level of primitive magic." This, Mr Deutscher argues, could not go on indefinitely. Sooner or later the tremendous mobilised energies of the new society must burst the bonds of a system that had become obsolescent. The death of the leader "acted as a catalyst" in latent processes of change that had been operating for some time.

Malenkov therefore emerges as the modern type, the "rationaliser striving to put in order the Stalinist legacy and to disentangle its great assets from its heavy liabilities." He can only "sneak away from Stalinism"—a brilliant phrase—but he is not, like the master he served so long, a slave of the past. And if, as Mr Deutscher admits, it is hard to believe that Stalin's picked colleague, his "arch-devotee," is going to liquidate the master's era, it may be that the urge of the Russian people to start afresh is too strong to be resisted.

The only possible comment on such a judgment is "Well, we shall see"; and it is fair to warn the general reader that the author does not make it clear how limited are the materials and sources on which the student of contemporary Russia has to draw. If his main conclusions turn out to be correct, then it

will appear that the art of political intelligence—which is a combination of shrewd guesswork with scrupulous scholarship—can rise to greater heights of unwishful thinking than had been thought possible.

Communism and McCarthyism

WITNESS.

By Whittaker Chambers.
Andre Deutsch. 629 pages. 21s.
McCARTHY.

By J. Anderson and R. W. May.
Gollancz. 431 pages. 18s.

MR WHITTAKER CHAMBERS is the man who sent Mr Alger Hiss to jail convicted officially of perjury and unofficially, to many people at least, of treason. Senator McCarthy is the man who exploited, for personal and political ends, the shocked perplexity which then permeated the United States, because a respected, able and high-minded public servant had apparently put loyalty to a Communist Party controlled from the Soviet Union before loyalty to his own country. The perplexity was deep enough and sustained enough for Mr McCarthy to be able to exploit it chiefly, of course, because the Soviet Union is now generally understood to be a threat to the security of the United States. But there is also a second reason. It is that Mr Chambers achieved what he set out to do; he has made ordinary Americans realise the personal issue involved; he has made them see that Communism threatens them as individuals—that it is, or was, infiltrating at home.

Whether or not Mr Chambers exaggerates the danger, there can be no doubt, after reading his book, that he believes sincerely that it exists and that it was his mission to expose it. It is almost impossible to think now that his attack on Mr Hiss was a private vendetta; it was a crusade against Communism started and continued, with the greatest reluctance, because Mr Chambers felt that his new-found faith in God and his duty to mankind left him with no alternative. "Witness" is a very long and frequently embarrassing self-revelation, an autobiography which ought perhaps to be reviewed by a psychologist, but which nevertheless could hardly fail to fascinate even a reader who had never heard of the Hiss case. It is a detailed, sometimes too detailed, account of Mr Chambers's family background; of why he joined and why he left the Communist Party; of what he did there, both above ground on the staff of the *Daily Worker*, and underground organising a spy ring in Washington government offices; and of his life since he left the Party, as an editor of *Time* and as a witness before a congressional committee and a grand jury. He does not deal with the actual court proceedings against Mr Hiss, which have after all been fully described by other authors.

The skill with which Mr Chambers

writes he owes presumably to *Time*, where he found his post-Communist feet, rather than to the *Daily Worker*. His book has all the elements of the mystery story, clues, aliases, secret agents, escapes, conspiracies, murders, even love interest, combined with a highly personal disquisition of how one man reacted to the basic political problem of the day. His reaction makes the story a tragedy—he calls it "a tragedy of history"—even though it ends in the triumph of good over evil. For at the finish Mr Chambers has given up the struggle, has escaped exhausted to his farm, apparently for the rest of his life, leaving others to follow up the bolt which he shot so successfully.

Mr Chambers therefore gives no indication of his views on the man who did follow it up with remarkable energy; he seems unlikely to write that study of Mr McCarthy which might well be as fascinating as his own autobiography. It would be particularly interesting to know whether in this case Mr Chambers is prepared, as he was in that of the Un-American Activities Committee before which he brought about Mr Hiss's downfall, to excuse the unpleasant publicity involved in congressional hearings on the ground that only by this method could Communist sympathisers in the government be prevented from frustrating the legal processes which are the real remedy for disloyalty. But that excuse is no longer valid and, according to Mr Anderson and Mr May, the publicity with which Mr McCarthy surrounds the proceedings of his committees is explained only by his lust for personal power.

Their biography of Mr McCarthy can be presumed to be factually true; otherwise, experienced newspapermen would never have dared to make such allegations of financial and other irregularities, allegations which have since appeared also in the report of a Senate investigating committee. This biography, too, makes easy reading. It is full of facts but it is nevertheless superficial. Mr Anderson and Mr May do not provide any real explanation of what McCarthyism is or of where it is going. Luckily signs are now appearing that the American people are at last beginning to understand that it must not be allowed to go much further. What is certain is that, if it was indeed a crusade that Mr Chambers started, Senator McCarthy is the best answer to it that the Communists could have found.

Studying Man

THE TOOLS OF SOCIAL SCIENCE.

By John Madge.
Longmans. 308 pages. 25s.

THE study of matter has advanced far more rapidly than the study of man. The failure of the social sciences to achieve even a fraction of the success of the physical sciences has long caused disappointment. In this book Mr John Madge seeks to explain how far that

disappointment is inherent in the subject and how far the methods now developed should enable a more substantial advance to take place. He does not break new ground, but he provides a useful survey of the present state of sociological research. With reasonable scepticism, and drawing on a wide variety of sources, he describes the philosophical dilemmas inherent in the quest for scientifically certain conclusions about human behaviour. He goes on to expound the technical difficulties involved in using the various kinds of data available to students of social conduct—documents, interviews, systematic observation, and, most deceptive of all, experiment. He comes to the conclusion that the biggest obstruction to an advance in understanding social behaviour is reluctance to admit the inevitable personal involvement of the sociologist in the problems he is studying. Mr Madge pleads for a frank recognition of the impossibility of achieving in the social sciences anything equivalent to the objectivity demanded in the physical sciences.

In Britain, sociology has a low academic status. Its critics point to the failure of all the money and energy poured into it to produce any commensurate results and to the jargon-wrapped platitudes in which its devotees all too often conceal the barrenness of their conclusions. Is it possible to force the study of man's social activity, in all its infinite diversity, into a unified scholarly discipline?

Mr Madge will not altogether disarm such critics. Nevertheless, he meets many of their objections; and he is especially to be congratulated for his emphasis on practical research, for his relative freedom from jargon and from pretentious conclusions and, above all, for his repudiation of those who so eschew testing their ideas in practice that they turn sociological theory into a species of metaphysics.

Perhaps the most unsatisfactory feature of the book lies in the uncertainty of its aim. If Mr Madge is writing for the expert he is, at times, too elementary; if for the intelligent outsider, he is too cursory. He gives hasty descriptions of specific research techniques and isolated experiments, jumping abruptly from one to the next, often with summary and questionable verdicts on their value (his brief disquisition on public opinion polls is especially unsatisfactory). Moreover, as he moves from one example to the next, the reader cannot escape the feeling that many of the lessons about sociological field-work in factories and communities are no more than applied commonsense and hardly justify such laborious documentation.

Yet behind it all there remain some sound methodological conclusions and a valuable sketch of the kinds of research that have been undertaken. The outsider may still await an introduction to the methods of social science and the expert a more advanced compendium. But in the meantime Mr Madge must

be congratulated on a study that is far more workmanlike than so much that has been written about this subject—a subject which, despite all that its advocates have done to discredit it, has undoubtedly much to offer.

British Institutions

BRITISH GOVERNMENT.

By Hiram Miller Stout.
Oxford University Press, New York.
(London: Geoffrey Cumberlege). 433 pages.
42s.

BRITISH institutions have been fortunate in their American academic exposition. The tradition established by President Lowell in his "Government of England" and maintained by Professor Ogg in his "English Government and Politics" is a notable one. Thanks to it, generations of American university students have obtained their knowledge of British politics from sources which not only satisfied exacting standards of scholarship but also reflected an intimate understanding of the *ethos* of our institutions.

Professor Stout's "British Government" is in this tradition. Somewhat briefer than its two distinguished predecessors, it has to employ a greater economy in its exposition; there are fewer of the richly studded footnotes of Ogg, less of the personal touch that one encounters in Lowell. Yet by a taut style and a very orderly presentation Mr Stout has managed to cover almost as much ground as his elders and at the same time to do justice to the numerous developments which have occurred since they wrote.

The most important of these developments, in Mr Stout's opinion, are those which follow on the expansion of the welfare state in Britain, on the changes in the structure of the Commonwealth and on the strengthening grip of the party system. On all these aspects of his story he shows himself well abreast of recent research and generously disposed to give our institutional novelties the benefit of every doubt. The Republican sophomore who has been brought up to view postwar Britain as the graveyard of liberty will find little nourishment for his cherished disillusion in these pages. At a time when so much effort on each side of the Atlantic goes into the picking of holes in each other's institutions it is a pleasure to find a book that lays its emphasis on the positive achievements, rather than the incidental shortcomings, of our popular government.

Professor Stout's treatment begins with an outline sketch of "the country and its people," and proceeds to a discussion of "the constitution." This addresses itself to the expectations of readers who, brought up on the American document of that name, seek anxiously for comparable title-deeds for the government of the United Kingdom. The mysteries of the monarchy are sensibly expounded, though perhaps a

little more might have been said about its social role in the mid-twentieth century. Then follow familiar expositions of cabinet and parliament, good chapters on parties and elections, and clear descriptions in enthusiastic tones of the judiciary and local government. The final quarter of the book is devoted to the functioning of the executive branch and the relations, internal and external, of the Commonwealth and Empire. The whole is workmanlike and comprehensive; addressed to Americans it might none the less be read with profit by many an English student.

Managers in Person

MANAGEMENT UNDER NATIONALISATION.

By T. E. Chester and J. H. Smith.
Acton Society Trust. 79 pages. 7s. 6d.

THIS little book is always interesting, sometimes irritating, occasionally stimulating. Its main idea—to present the day-to-day problems that beset "operational management" through the device of single "composite representative" managers in certain nationalised industries—was a good one. The pictures here given of the working experiences of an area general manager in the coal industry, a power station superintendent, and a British Road Services district manager are an effective and enlightening means of presentation. They suggest that an area general manager in coal has far more power and responsibility than most people realise (more than half the industry's total investment in 1948 was on the authority of area managers); the power station superintendent less, largely owing to the pattern of grid operation; and that the road services' organisation, between 1949 and 1952, was still half-baked if not chaotic.

This method, obviously, has its dangers. The "action pictures" gain verisimilitude by the assembly of selected "individual detail"; but this detail, too, may make their representativeness questionable. To quote an opinion of this imaginary area general manager, but then to add that "many of his fellows" would disagree, may render the device ineffective. Similarly, to describe a BRS manager who used to own his own firm, and in a footnote imply that such managers may be the exception, vitiates the effect. Either these notional managers should be representative, or they should be more fully sketched as individuals.

The study abandons this effective method—and its critical attitude—in an intriguing but inadequate account of a form of organisation adopted by one of the Gas Boards. It goes on courageously to attempt a few comparisons between the chains of command in three large private enterprises, the GPO, the Metropolitan Water Board, and the newly nationalised fuel industries. These are most interesting, though on occasion seemingly muddled—the operating division board employed in ICI,

for example, is described first as an "interposed board between the operational unit and top management" and seven pages later as "the focus of operational management." The discussion of the pros and cons of decentralisation, in this context of operational management, is sensible and penetrating, though the Acton Society has no new specifics to prescribe. This is, in short, the kind of book that provokes marginalia and leaves anyone interested in the subject looking for somebody to argue with.

Victorian Iconoclast

SAMUEL BUTLER: *The Incarnate Bachelor*.

By Philip Henderson.
Cohen & West. 242 pages. 18s.

"I HAVE never been able to understand it," Butler notes of his detested father, "but the servants were genuinely fond of him." One may suspect that Canon Butler was fond of the servants, and not (as Butler goes on to aver) only of the cat. And in this the rebellious son was cut to the paternal pattern. He got on well with his own employees, was most at ease with cronies when he had turned them into dependants, and among cats best liked to patronise strays. Butler was a man of property. A slum landlord who disliked the author of "Widowers' Houses," he was to murmur as the Canon died peacefully in his arms, "How gently do they that have riches enter into the kingdom of Heaven"; and there is the complexity of all good ironic writing in his "Narcissus"—that mock pastoral in which the shepherds and shepherdesses come to London and speculate wildly on the Stock Exchange, only to be admonished:

How blest the prudent man, the maiden pure,
Whose income is both ample and secure,
Arising from Consolidated Three
Per Cent Annuities, paid quarterly.

Butler's pertinacious iconoclasm was achieved from behind the shelter of this conviction, and to the accompaniment of a personal bearing eminently respectable and correct. He wondered how "a man who considered himself to be a gentleman should have chosen to be bothered with writing" *Mrs Warren's Profession*; yet he himself was a gentleman who for twenty years visited the same prostitute (who came of respectable parents and owned a cat called Marquis) on Wednesday afternoons, sending along his pensioner and future biographer Jones on Tuesdays, and his servant Alfred to pay a retaining fee while he was on holiday. It is evident that there clung about Butler himself something of that Victorian world which his greatest work did so much to render monstrous to posterity. "The Way of All Flesh" owes its power to the ambivalence of its author before the whole Pontifex order.

Mr Henderson's able study throws fresh light on Canon Butler, who emerges as more bewildered than bale-

ful. Yet the shadow of this "human Sunday" was over Samuel Butler to the end, draining his intellectual energy into unprofitable heresies and devastating his affections. When at fifty-two Butler gleefully records meeting "a charming young man who hates his sister," or in the last year of his life skilfully anatomises the pettiness of his own sisters in the matter of cups of coffee and slivers of toast, the reader is made sharply aware of his limitations. He is the man who inserted a letter from his mother, written as she believed on her deathbed, with telling effect into a satirical novel. Yet this deeply unfortunate man remains among the most fascinating grandfathers of the present age. Mr Henderson's book will admirably introduce him to many great-grandchildren.

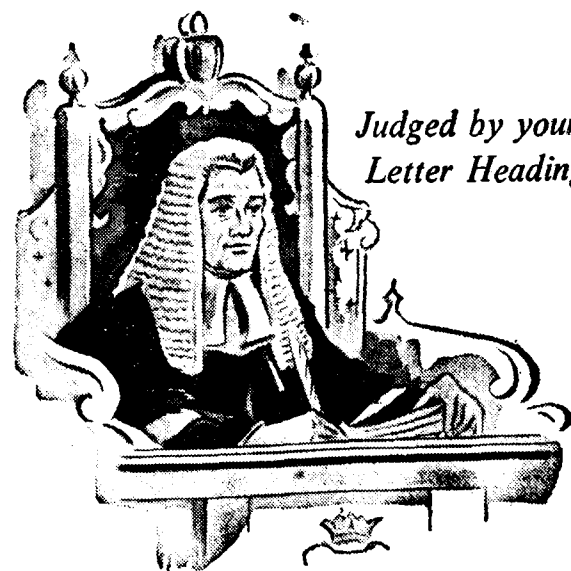
Picture of Prinny

PORTRAIT OF THE PRINCE REGENT.

By Dorothy Margaret Stuart.
Methuen. 240 pages. 18s.

MISS STUART has been concerned to present the personality of the Prince Regent and "to let the great events of the period provide the background of the portrait." She aims at rescuing the Regent from his Whig detractors and at correcting the picture of the libertine which Thackeray drew. She sees him as a "man of envious warmth and copious amiability," highly intelligent, sensitive and amusing. With the exception of George III, whose mental collapse has been attributed by an eminent historian partly to his "resolute fidelity to a hideous queen," the domestic life of the Hanoverians overflows with scandals and quarrels, exacerbated by the use which politicians made of them. The Regent's matrimonial troubles and his quarrels with his daughter are fully explored by Miss Stuart, who emphasises that he was not entirely to blame.

Miss Stuart enjoys the flamboyant opulence of the Regent's court and considers him the right man for the times, since he possessed panache, which was precisely what was then required. Yet his ministers were less appreciative of his panache than critical of his unmanliness and irritated by his tears and tantrums. And although posterity has benefited from his splendid building, his contemporary unpopularity was to a considerable extent due to it. Not only factious Whigs criticised the Regent. In the bleak years after the Napoleonic Wars the Regent's oriental magnificence, lavish generosity and spectacular building were generally resented. It was the Tory ministers, Liverpool and Castlereagh, who told the Regent that he must avoid even the appearance of spending more on his Baiae at Brighton. The Regent was a collector of pictures and the patron of John Nash, but this does not compensate for his failure to show a sense of public duty or responsibility.



GUILTY!

A SURE ADVOCATE is quality stationery by Thos. Forman & Sons, authors of high-class relief-stamped Commercial Stationery

THOS. FORMAN & SONS LTD. NOTTINGHAM

Telephone 65573



Player's

PERFECTOS

The inevitable choice for those who appreciate the finer things in life.

Packed in boxes of 50 and 100

JOHN PLAYER & SONS, BRANCH OF THE IMPERIAL TOBACCO CO. (OF GREAT BRITAIN & IRELAND), LTD.

PF28A

In all things ...
there is
only
**ONE
BEST**

**Choose
BOOTH'S**

MAXIMUM PRICES IN U.K. Bottle 33/9 Half Bottle 17/7 Qtr. Bottle 9/2 Miniature 3/7

Bowden

In 1897

Bowden originated Flexible Wire Mechanisms
and revolutionised control transmissions

TODAY

Bowden Products are used more than ever before
BOWDEN WIRE CONTROL MECHANISMS
for all purposes
FLEXIBLE HOSE UNITS
for use on jet and piston engined aircraft and all
hydraulics.

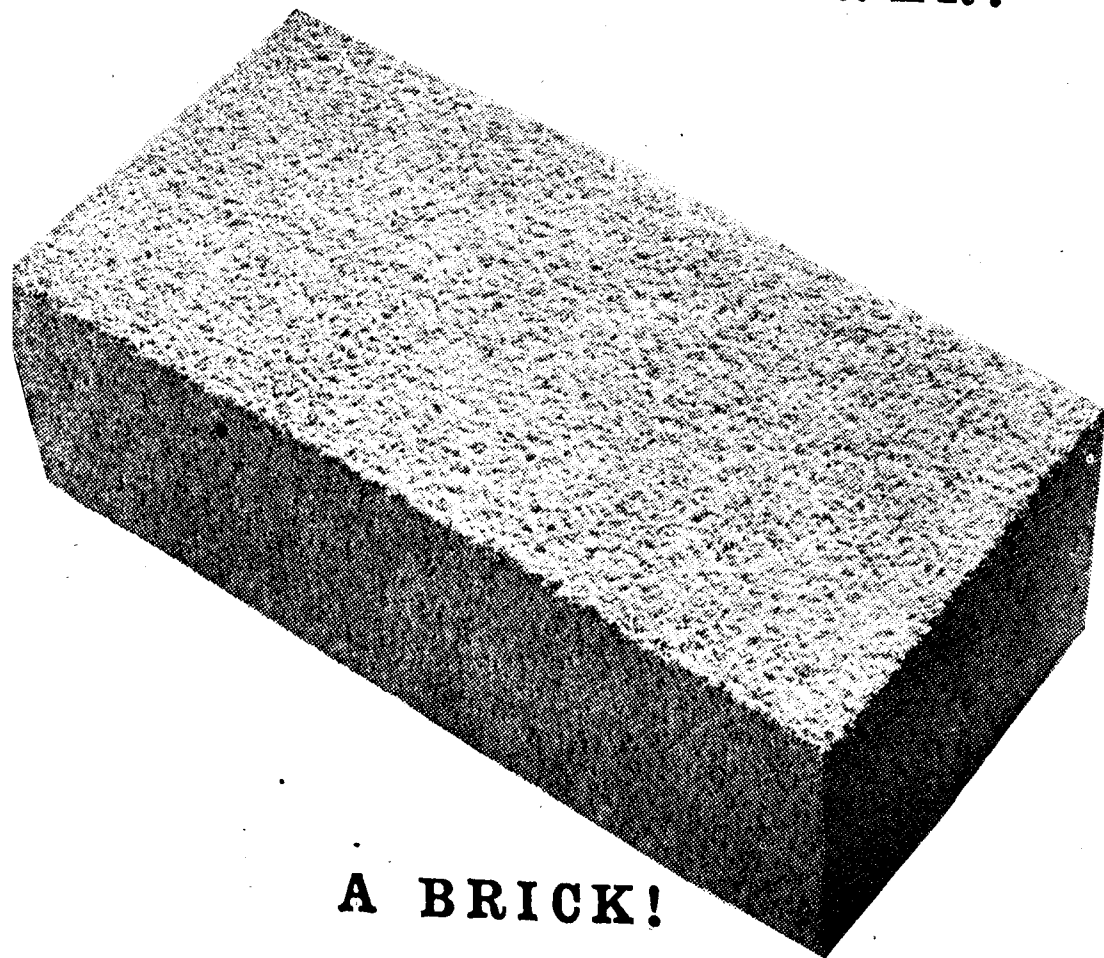
Insist on Genuine Bowden Products

Bowdenex Bowdenite
Bowdenflex

BOWDEN (Engineers) LIMITED, LONDON, N.W.10

48-125A

AND THE ANSWER?



A BRICK!

We have taken this space to tell you that the M.I.28
(one of the new Morgan Refractories) is the modern, WORKING answer
to the by-no-means new theory of the Hot-face Insulator.

(Lay readers are asked to consult the nearest Furnace Maintenance

Engineer. Technical readers are asked to judge this brick

strictly on its merits . . . which means giving it a trial.)

Expensive? Yes, initially.

But . . .

MORGAN

Refractories

ARE WORTH FAR MORE THAN THEY COST

The Morgan Crucible Company Ltd. (Refractories Group), Neston, Wirral, Cheshire. (Tel: Neston 1406)

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.

McCarthy's False Step

Washington, D.C.

SENATOR MCCARTHY, like all demagogues, prefers vulnerable victims. They need not be guilty of the charges he brings against them, of course, but it is desirable that they should have weaknesses not necessarily related to Communism or disloyalty, which will reduce their power to fight back, and will disconcert their friends and potential defenders.

It is this instinct for vulnerability that has led the Senator to spend so much time harassing the foreign information programme run by the International Information Administration, including the Voice of America and the overseas libraries. Their vulnerability lies, not in any demonstrated propensity to be infected with subversion, but in the fact that they are relatively new activities, with a short history behind them, and that a history full of uncertainty and confusion. As Senator Hickenlooper's subcommittee of the Senate Foreign Affairs Committee—an investigating body lacking Mr McCarthy's fine contempt for constructive achievement—has pointed out in its report, issued last month:

In the postwar years, appropriations for the overseas information programme have fluctuated sharply, drastic cuts caused in the main by dissatisfaction with its operations alternating with precipitate increases. Simultaneously, there have been rapid changes in the organisation of the programme and in its administrators. There have been some five major reorganisations and five administrators in the last five years.

Perhaps the most serious weakness of these programmes has been what this same report sums up as the "lack of a common understanding of the objectives of the information programme on the part of the Administration, Congress, and [the] American people." In the minds of many Americans, the information services were one part of a general mechanism of "psychological warfare" which was to do the job of defeating the Soviet peril, freeing the satellites, and restoring peace to the weary world, all without the loss of a single American life or the necessity for any of that subtle and exasperating activity called "diplomacy." It is not unfair to say that such ideas were encouraged by the Republican campaign last year, although the President's own comprehension of the limitations of a psychological blitzkrieg must have saved him from sharing so naïve a view.

As for the confusion about the objectives of the programmes in the minds of those responsible for them, there is evidence enough in the unbelievably chaotic series of

events concerning the alleged presence of 30,000 books "by Communist authors" in the State Department's overseas libraries. (The allegation was Senator McCarthy's.) Acting in precipitate haste, through fear of the Senator's wrath, the unfortunate department eventually issued some eleven different directives between mid-February and this month concerning what was to be done about such volumes, and so managed to strike an almost perfect balance of futility between the two possible policies of refusing to say anything about the matter to the press or making a full disclosure of it. The President, meanwhile, in his speech against "the book-burners" at Dartmouth College in mid-June and in several subsequent press conferences, compounded the confusion to the point where no one could be sure whether the issue was the general principle of censorship or the specific question of the criteria for selecting materials to be used in the overseas information service. Finally there came the resignation, for "reasons of health," of the unhappy Administrator of the International Information Administration, Dr Robert L. Johnson, who had tried to co-operate with Mr McCarthy, even to the point of accepting the dubious assistance of his young sleuth and globe-trotter, Mr David Schine, in choosing new personnel for his organisation. In the four months of Dr Johnson's leadership, as the *Washington Post* put it, "IIA progressed from demoralisation to complete disintegration."

★

Having announced his impending departure, Dr Johnson made one more effort, on July 8th, to end the book-burning controversy, by issuing yet another statement of policy. This appeared to represent a complete return to the original directive of February 3rd, the one which had first aroused Senator McCarthy's ire and thus brought the whole controversy about. The new statement reaffirmed the principle of judging the suitability of books on the basis of content rather than authorship, a principle which had been hastily scuttled in the directive of February 19th banning books by "Communists, fellow travellers, etcetera." Furthermore, the new directive returned to the primary point at issue by maintaining:

It is conceivable that the special purpose character of our libraries may require, in special cases, the inclusion of books by Communists or Communist sympathisers, if such authors may have written something which affirmatively serves the ends of democracy.

This was greeted by the Senator with cries of "ridiculous"

and he prepared to summon Dr Johnson to explain his action (which had been approved by the Secretary of State).

The apparent return to sanity of the IIA on the book-burning issue is only one of the recent indications that the Administration is beginning to rearrange its views, not only on the McCarthy phenomenon, but perhaps on the whole subject of the struggle for men's minds all over the world. Mr Eisenhower seized the opportunity to deliver a heavy blow to Senator McCarthy by vigorously supporting the widespread indignation against the engaging, as an official of his committee, of Mr J. B. Matthews, author of an article in which it was asserted that "the largest single group supporting the Communist apparatus in the United States today is composed of Protestant clergymen." The Senator was forced to retreat, and to accept Mr Matthews's resignation. In the subsequent fracas over the right of Mr McCarthy as chairman of the subcommittee to hire and dismiss its staff without reference to the other members, the three Democrats on the subcommittee dramatically resigned. The degree to which the conservative and strongly Protestant Southern Democrats had been alienated by the Matthews affair was reflected in Senator Byrd's demand that Mr Matthews "give names and facts to sustain his charge or stand convicted as a cheap demagogue."

An abortive attempt by Senator McCarthy to divert attention by bringing up a new sensational "case," this time against Mr William Bundy, a high official of the Central Intelligence Agency and the son-in-law of Mr Acheson, failed to remove the impression that the Senator was at last beginning to prove a bit vulnerable himself.

No More TVA's?

FROM A SPECIAL CORRESPONDENT

ONE of the most dramatic of the activities of the federal government since the nineteen thirties has been the construction of gigantic hydro-electric installations with picturesque names—Mud Mountain, Hungry Horse, or the greatest of all, Grand Coulee. Most are what are known as multi-purpose projects; electric power is often a less prominent objective than development of all the resources of a region through irrigation, or flood control.

The most famous and most complete expression of this idea is the tremendous enterprise run by the Tennessee Valley Authority, which is the sole supplier of electric power in an area including all or part of seven south-eastern states. Before the TVA was created, only 3 per cent of the farms in the area were supplied with electricity; now, 85 per cent have it. The average use of electricity in homes has increased, since 1933, from 600 to 3,900 kilowatt-hours annually; the national average is only 2,070. New industries have blossomed and farmers have benefited both from material advantages and from the educational activities and the experimental research carried on by the TVA.

For twenty years Democratic Administrations in Washington have pressed forward the development of these federal projects. Most Republican members of Congress, however, have been critical; it would cause no stir were they to cite the TVA as an example of what they meant by "creeping Socialism." But when the President of the United States does so, as Mr Eisenhower did at a recent press conference, the excitement is considerable. Angry leaders

appeared in newspapers in the TVA region which had supported the General in the election campaign. Letters of protest appeared in the *New York Times*. Senator Morse professed to see in the President's remark the preface to an attempt to sell the TVA installations to private power interests and local authorities, as ex-President Hoover has suggested.

The excitement may be premature. Responsible men such as the Secretary of the Interior, Mr McKay, and his Assistant Secretary for Water and Power, Mr Aandahl, have been wary of aligning themselves with the private electricity companies although they make no secret of their theoretical agreement with Mr Hoover's proposal. Mr Aandahl, with what sounded like a public sigh of regret, has rejected the idea:

There is a sizeable element who feel that when the government produces low-cost hydro-electric power, that power should be made available to the people, and I think we are all agreed in that premise. And no matter what the facts might be about efficiency in distribution, and about American standards of private enterprise, if this Administration, or any other Administration, should turn that federally produced power over to big business, there would be an adverse reaction among the people. In order that our people may retain confidence in government, we should not do it.

It is clear that such political sensitivity will keep the new Administration from some of the more obvious reversals of policy in favour of free enterprise. The fact that the cost of many multi-purpose projects is beyond the resources available to private companies or to the states has been freely admitted on all sides, and projects on this scale will continue to be undertaken by the federal government. Funds requested for the Bureau of Reclamation for 1954 were cut by almost 25 per cent below the figures in Mr Truman's budget, and most of the reduction was in money allocated to construction. But this is in keeping with the general policy of reducing expenditures, and even under the Truman Administration there was an order, issued at the outbreak of the Korean war, against initiating new projects, although it was only loosely enforced.

★

However, some kinds of federal construction are in greater disfavour with the new Administration than others. The building of steam plants to supplement hydro-electric power is being discouraged, and so is the construction of transmission lines to carry federally produced power to local customers. The crux of the dispute over transmission lines is the operation of the preference clause. This has been a feature of federal power legislation since it was introduced under Theodore Roosevelt, a Republican; it requires that in the sale of electricity generated at federal installations priority be given to the demands of the local public power authorities—municipalities and the like—and the co-operatives, as against privately owned companies.

Mr McKay has shown considerable sympathy for the claim that the federal government has used this clause as an excuse for empire-building in electricity, extending transmission lines so as to reach preference customers although this meant entering areas served by private companies as a competitor. If this has been the policy, it has not been markedly successful. The percentage of consumers of electricity who are served by beneficiaries of the prefer-

ence clause has risen since 1922, from 12.6 per cent to 18.4 per cent, because of the growth of rural electrical co-operatives. But private companies still serve the remaining 81.6 per cent.

There is no doubt that some proponents of public power in the federal government have been openly hostile to the needs of the privately-owned utilities. But the advocates of government transmission lines argue that the private companies would be able to squeeze the small, local public agencies out of the market for federal power if the government, after having produced the power, left transmission in the hands of private enterprise.

As for the construction of steam plants, such as the \$30 million one in the TVA area recently eliminated from the list of projects to be undertaken, it is argued that whoever is supplying the basic power in a given development ought to be allowed to supplement this power by adding steam generating plants to the system; otherwise there will be the anomaly of the federal government's hydro-electric facilities being dependent upon some private source for the supplemental steam-generated kilowatts necessary to "firm up" the power supply, that is, to fill in the gaps that are left from time to time by the erratic behaviour of rivers.

★

There are two major pieces of evidence about the electric power policy of the new Administration. One is a proposed new contract for the distribution of electricity by the Bonneville Power Administration, the federal agency in the Pacific Northwest. This would restrict the freedom of preference agencies to serve new large-scale customers, or to expand their operations generally. Advocates of public power assert that this amounts to undermining the preference clause, and certainly it makes more suspicious than ever Mr McKay's attempt to evade questions about the clause when he was testifying to congressional committees before his confirmation.

Secondly, there is the withdrawal by the Interior Department of its petition to the Federal Power Commission, filed in Mr Truman's time, against granting a licence to a private company to build three small dams in place of the one high dam which the Department has long planned for Hell's Canyon, on the Snake River where it forms the border between Oregon and Idaho. A controversy is raging over the technical questions involved, but it is clear that the government scheme for Hell's Canyon would produce somewhat more power—one engineering report estimates over 70 per cent more—as well as very much greater subsidiary benefits, such as flood control.

Mr McKay argues that this project has never been authorised by Congress and that there is no chance of getting appropriations for it in the near future; and that to oppose the Idaho Power Company's scheme is these circumstances would be "playing the reprehensible part of a dog in the manger." But the decision to leave the government project undefended before the Federal Power Commission must seem to represent a retreat, on the part of the Interior Department, from the militant defence of the public interest. If the three little dams are built, the extra kilowatts that Hell's Canyon might have provided will have disappeared for ever. The question is whether Mr Aandahl's fear of an "adverse reaction among the people"—Hell's Canyon might, for example, re-elect the exasperating crusader, Senator Morse—can yet turn the Administration from its chosen path.

American Notes

Eisenhower's First Victories

IT is significant that once the President decided to make the extension of the excess profits tax a test of his own authority and prestige the opposition of all but the most obdurate right wing Republicans melted away. Though all the Republican members of the Ways and Means Committee originally opposed the continuance of the tax, three-quarters of them voted, in the end, to sustain the President and override their chairman, Mr Reed. The vote in the House, at 325 to 77, was better than the Administration forces had dared to hope, though it owed something, no doubt, to the legislators' awareness that it would be unpopular to lighten the load on corporations six months before individual taxpayers were to be relieved from the Korean levies. The Senate probably will follow suit this week. The six months extension to the end of the year is expected to bring in \$800 million.

The committee so far, however, has turned a deaf ear to the Administration's argument that tax relief for individuals in December can be reconciled with a balanced budget in 1954-55 only if the reductions in excise and corporation

ON YOUR TRIP TO
NEW YORK
YOU CAN FLY TO

Bermuda

AT NO EXTRA COST!

Something extra special lies ahead of you on your flight to New York. Your first-class fare, via any international airline, can include a trip to Bermuda—and at no extra cost.

When business is over, refresh yourself with a delightful week-end in Bermuda. Stay longer, if you wish, for Bermuda is in the sterling area. Bermuda's less than three hours from New York, and there are frequent daily flights.

And there's nothing like Bermuda for sunning on pink sandy beaches . . . for leisurely living far from bustling routine . . . for rest and utter contentment.

For Complete Information See Your Travel Agent or
BERMUDA GOVERNMENT INFORMATION OFFICE
Regent House, 89 Kingsway, London, W. C. 2

taxes scheduled for next spring are postponed. Unless Congress acts, there is a drop of \$8 billion in revenue ahead. Instead, the committee showed a tendency to take away with one hand at least part of what it had given with the other. It has passed, and the House is expected to approve, a Bill abolishing the 20 per cent federal tax on cinema admissions. The exhibitors, whose campaign is very well organised, argue that only if this money goes into their own pockets can they keep their doors open despite the inroads of television. The Bill might cost the Treasury as much as \$200 million in a full year, though the Senate is said to favour giving the industry only half a loaf.

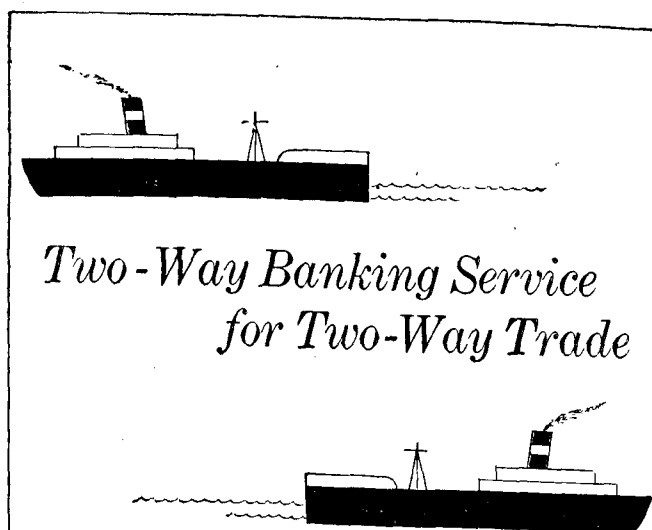
Other victories have followed the President's reluctant recognition that he must fight for what he wants. After Mr Eisenhower had taken on himself the responsibility for the cuts in the defence budget, the House Republicans overrode Democratic opposition and accepted them. The Senate and House have compromised their differences over the authorisation for foreign aid at \$5.157 billion, only slightly below the \$5.4 billion the President requested. It is true that the Administration failed to budge the House from its determination to earmark \$1 billion of Europe's military aid for the European Defence Community, but the House relented to the extent of allowing long-term contracts for military equipment to be placed. The real threat to the mutual security programme lies, of course, in the appropriation Bill which will have to follow this authorisation; cuts of as much as \$1 billion are being discussed, but here, too, the President is bringing pressure to bear on the

committees concerned. And it is noticeable that Mr Dulles, who is usually so conciliatory to Congress, has been fired by the President's example. His replies to members of the Senate Appropriations Committee who complained of "giveaways" were extremely sharp.

Reprieve for the Boom

PROFESSOR ARTHUR BURNS, the President's economic adviser, is too cautious to be drawn by Congressmen into any prophecies. But among businessmen the feeling is that the boom, which it was once felt would be on its last legs by midsummer, is likely to go on for another six months. Industrial production ceased its rise in March, but the total output of goods and services, the gross national product, was running in the second quarter at an annual rate higher than ever before, \$368 billion, compared with \$361 billion in the first quarter, and \$342 billion a year ago. Prices have changed relatively little in this period. Gross private domestic investment was higher in the first six months than it was in the same months a year ago, although larger inventories accounted for most of the increase between the first and second quarters.

Consumers have not only been enjoying record incomes, but also, according to the Federal Reserve Board's spring survey of consumer finances, feel that 1953 is a better year

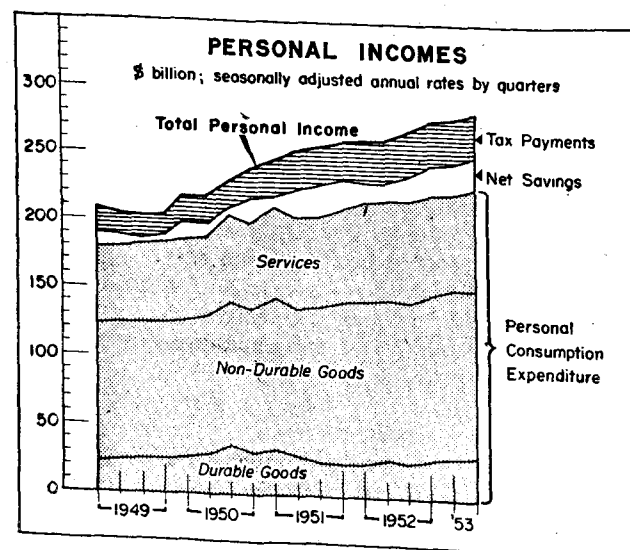


Two-Way Banking Service for Two-Way Trade

It's a two-way banking service provided by Chase in London—service to British business interests dealing with the United States and service to American exporters in British markets as well as American importers buying British products.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

A United States Corporation with Limited Liability
LONDON: 6 Lombard Street, E.C. 3
46 Berkeley Square, W.1.



to buy durable goods than 1952 was. The reason given is that prices are levelling off or coming down. In fact, the price level has changed little; people are simply becoming used to it. This attitude is reflected in retail sales, which have been running at an annual rate of \$170 billion compared with sales of \$164 billion in 1952. Department store sales in June and May were higher than they have been since the post-Korean buying spree.

Anxiety about the effects of a truce in Korea has been moderated, rightly or wrongly, by the conviction that the drop in defence spending will be very small compared with the reduction which a much smaller economy had to absorb in 1946. Some alarm is expressed, however, about the total of consumer debt, which is now larger, in relation to incomes after taxes, than it has ever been, and about the

record \$78 billion accumulated in inventories. These have been swollen in the last two or three months by a piling up of television sets, washing machines, and other durable goods. The President, though he declares no significance should be attached to the date, has asked his economic advisers to have ready by the autumn plans to deal with the onset of a recession.

Psychological Misconceptions

LAST week another step was taken towards clearing up some of the confusion about the meaning of psychological warfare and some of the inefficiencies in its execution which have given Senator McCarthy so many opportunities. The report of the President's Committee on International Information Activities was completed and part of its recommendations were made public; the rest were too secret. This group, headed by Mr William H. Jackson, former deputy director of the Central Intelligence Agency, contained representatives of that element in the Administration which is most closely identified with the "psychological warfare" approach to foreign policy. It is, therefore, particularly striking to find in its report such remarks as these:

... the existing Psychological Strategy Board... is founded upon the misconception that "psychological strategy" somehow exists apart from official policies and actions and can be dealt with independently by experts in this field...

Except for propaganda, there are no "psychological warfare" instruments distinct from traditional instruments of policy...

"Cold war" and "psychological warfare" are unfortunate terms. They do not describe the efforts of our nation and our allies to build a world of peace and freedom.

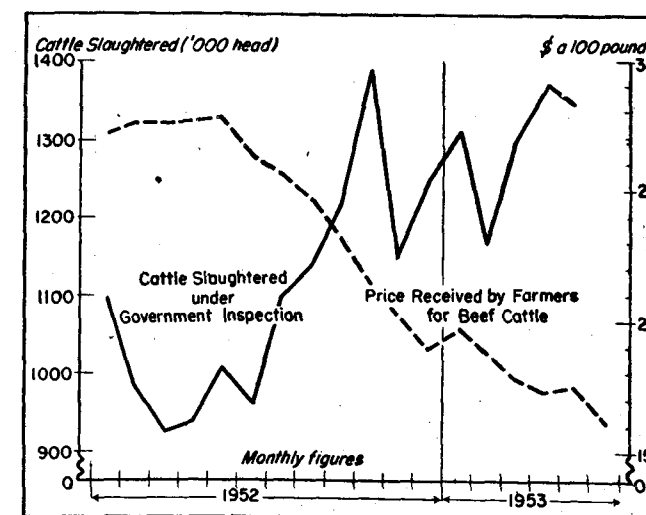
The committee by no means abandons psychological weapons, however, but stresses instead that "there is a 'psychological' aspect or implication to every diplomatic, economic or military policy and action," and asks for both a more widespread and a more intelligent recognition of this fact. In this connection, the committee emphasises the "danger in formulating foreign policies beyond the capabilities of the United States to carry out. This has been a prevalent error in the past." The applicability of this comment to the Administration's own "liberation" policy has not escaped attention in Washington, at a time when the Soviet world is in ferment and the United States has performed remained a more or less passive spectator.

What the fate of the Jackson Committee's recommendations will be is uncertain; some changes in organisation will probably be made, in pursuit of better co-ordination of the government's multifarious propaganda activities abroad. The recommendations on general policy may, however, prove to have ranged so widely as to have lost effectiveness. The overseas information programmes are already in the process of being consolidated and divorced from the State Department, but they are in danger of having their funds cut devastatingly by Congress. And the morale and efficiency of the staff have been shattered beyond immediate repair by attacks from the irresponsible, and well-founded criticism from the rest. There is now ground for hope, however, that the Administration and some of its friends in Congress are beginning to pay more attention to this sad state of affairs, and to its causes.

Beef Stew

BY signing the Bill which authorises special loans to livestock owners and other farmers in drought-ridden areas, President Eisenhower has kept his promise, made last week at the emergency conference of Governors of south-western states, that the federal government would do what it could to help. Now it remains for Congress to keep its promise by providing the Department of Agriculture with funds to cover the loans; it is estimated that at least \$100 million may be needed, to help farmers who have neither water nor feed for their animals. Meanwhile immediate aid has come from the President's relief fund; feeding stuffs are being supplied cheaply from Commodity Credit Corporation stocks and transported at half price by the railways. The Department of Agriculture has also offered to buy up to 10 million pounds of beef a week for its low-cost food programmes.

This help and the expectation of more to come has checked, for the moment at least, the fall in cattle prices which has frightened even farmers who are unaffected by the drought into rushing their steers to market. The Secretary of Agriculture is concerned not only at the loss to farmers, which has already given rise to demands for gov-



ernment price supports for beef, but also at the danger that herds may be so depleted that next year there will once more be a beef shortage. At the moment consumption of beef is running higher than ever before and over the whole year may break the record—73 pounds a head—which has stood since 1909. Cattle prices have fallen by one-third or more in the last year and it has been suggested that if the government were to undertake to support the price of beef it would own every steer in the country within twenty-four hours.

Provided, however, that it does not go too deep this reduction in the cattle population will bring more stability to the beef market than had been expected, for herds have been expanding excessively under the stimulus of the high meat prices of recent years. As a result, the ranges in the south-west, in Texas, New Mexico, Arizona, Colorado and Oklahoma, have been over-grazed and were in no state to stand the four years' drought which has dried up the Rio Grande and brought water rationing to many towns. So far there are dustbowl conditions, with the top soil blowing away and roads blocked by dust drifts, in only a few

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

Condensed Statement of Condition June 30, 1953

(Figures of Overseas Branches are as of June 26, 1953)

RESOURCES

Cash in Vault and in Banks.....	\$1,253,605,867.94
United States Government Securities and Securities Guaranteed by the Government..	1,489,632,205.67
Federal Agency Securities.....	165,415,484.56
State, County, and Municipal Securities.....	560,713,921.85
Other Securities.....	120,439,541.90
Loans Guaranteed or Insured by the United States Government or its Agencies.....	1,090,288,814.45
Other Loans and Discounts.....	3,077,503,130.25
Bank Premises, Fixtures, etc.....	62,483,637.68
Customers' Liability on Letters of Credit, etc.	161,891,970.56
Accrued Interest and Other Resources.....	35,598,785.68

TOTAL RESOURCES..... \$8,017,573,360.54

LIABILITIES

Capital.....	\$150,000,000.00
Surplus.....	200,000,000.00
Undivided Profits and Reserves.....	82,478,871.83

TOTAL CAPITAL FUNDS.....	\$432,478,871.83
Reserve for Possible Loan Losses.....	58,015,365.14
Deposits { Demand.....	\$3,639,816,385.22
{ Savings and Time.....	3,635,633,808.74
Liability for Letters of Credit, etc.....	165,763,837.96
Reserve for Interest, Taxes, etc.....	85,865,091.71

TOTAL LIABILITIES..... \$8,017,573,360.54

Main Offices in the two Reserve Cities of California
SAN FRANCISCO LOS ANGELES

Branches throughout California

Overseas Branches: London, Manila, Tokyo, Yokohama, Kobe, Osaka, Bangkok, Guam.

Member Federal Deposit Insurance Corporation: Member Federal Reserve System.

Bank of America

(INTERNATIONAL)

Home Office — New York, N.Y.

A wholly-owned subsidiary

Condensed Statement of Condition June 30, 1953

RESOURCES

Cash in Vault and in Banks.....	\$15,346,329.65
United States Government Obligations.....	7,460,725.99
Loans and Discounts.....	36,226,970.87
Customers' Liability on Letters of Credit, etc.	43,979,828.81
Accrued Interest and Other Resources.....	431,949.37

TOTAL RESOURCES..... \$103,445,804.69

LIABILITIES

Capital.....	\$10,000,000.00
Surplus.....	3,000,000.00
Undivided Profits.....	505,246.44

Total Capital Funds.....	\$13,505,246.44
Reserve for Possible Loan Losses.....	300,000.00
Deposits.....	44,949,310.82
Liability for Letters of Credit, etc.....	44,252,643.49
Reserve for Interest, Taxes, etc.....	438,603.94

TOTAL LIABILITIES..... \$103,445,804.69

COMBINED RESOURCES OVER \$8,100,000,000

districts, but if the rains do not come before the October gales these conditions may spread rapidly. It will take a year's normal rainfall to put things right.

But even if the situation is saved by steady rain, and even if over-grazing can be avoided in future, Texas for one will have to think whether its development is not outstripping its water supplies. For the demands of the state's new industrial plants and of its growing population have in some places lowered the underground water table to a degree that is ominous in an area where droughts seem to be a regular cyclical occurrence, coming roughly every twenty years.

Oil in Hot Water

THE spokesmen for four major oil companies have failed to convince the House Interstate Commerce Committee that they were justified in raising the buying price for crude oil by about 25 cents a barrel in June and in charging more for refined products. The committee remains disagreeably impressed with the speed with which other companies followed the lead of the Phillips Petroleum Company, and the chairman has threatened to ask the Department of Justice to determine whether there was any collusion. One of its members even has up his sleeve a Bill for federal regulation, though the possibilities of its passage are too remote to have much effect.

In some respects the market has borne out the committee's contention that prices should not rise when stocks of refined products are at peak levels and refining, according to the head of the Texas regulatory authority, is running 400,000 barrels a day ahead of demand. Half the price increases in heating and diesel oils and kerosene have had to be withdrawn; stocks of fuel oil are particularly large after the mild winter. The rise of 2 cents a gallon in petrol prices, however, is better timed; it will not be rigorously tested until vacation motoring is over.

Petrol prices have not been raised since 1950, and those for crude oil not since 1947, while costs have gone up by 50 per cent, in the estimate of one company. Earnings this year are expected to be 5 to 10 per cent below those of last year. The committee showed a good deal of scepticism about the argument that higher prices are necessary if the industry is to press its costly search for new wells; drilling has been proceeding at a record pace in recent years, and the 27½ per cent tax allowance for oil depletion is only justified as a means of encouraging new exploration.

There is more merit in the contention that the industry must recoup from the oil it sells the cost of keeping in being a reserve capacity of a million barrels a day for defence. This falls heavily on the small independent producers, who feel they must either have higher prices for crude or a larger share of the domestic market through restriction of imports, if they are to continue to finance new developments out of earnings. One of the announced aims of the committee is to discover whether the higher price for crude oil is designed to placate the domestic producers who otherwise would demand a reduction in imports from American-owned fields abroad.

The World Overseas

Outpost on the Adriatic

BY A CORRESPONDENT

LAST week, the foreign ministers of Greece, Turkey and Yugoslavia virtually declared that if Albania succeeded in detaching itself from the Soviet bloc they would respect its independence. The Soviet satellite to which the Balkan Treaty partners made this gesture is the one in which the iron curtain is most effective. There have been no British or American missions since 1946, and the French and Italian Legations, which still exist in Tirana, are so closely watched and circumscribed that they can have little contact with Albanian life. The information available in the West is based partly on the statements of the official Albanian news agency and the stereotyped articles in the Cominformist press, and partly on the report of refugees.

Albania's geographical position makes it a minor nuisance to the free world, and a minor asset to the Soviet bloc. Albania faces the "heel" of Italy at the Adriatic's narrowest point. It is possible that the naval installations made by the Italians on the island of Saseno during their 25 years' rule have been improved by Soviet naval experts, although it is premature to talk, as some West European newspapers have done, of a "Soviet submarine base." Such facilities as exist could be of use to the Soviet Union only if it had already forced the Black Sea Straits and overwhelmed the main forces of Turkey and Greece. But Albania can be a nuisance to both Yugoslavia and Greece. The existence of Italian armies in Albania in 1941 prevented contact between the Greek and Yugoslav armies at that time. Today the situation is more favourable to the West, as Italy is on the Western side. Yet the Albanian army could tie down Greek and Yugoslav forces, and so appreciably reduce the resources of both countries in the face of attack from the Danubian satellites.

The Albanian regime is basically very weak. At the time of its liberation from the Germans, it was at least a generation behind even the Balkan states. This predominantly Moslem country, with a society part tribal, part feudal, might indeed be compared with Russian Central Asia in 1917. The Albanian Communists hoped to modernise their country as the Russian Bolsheviks modernised Uzbekistan, and by similar means. New industries were to rise, and railways were to be built, giving Russia access, from the

Black Sea coast across Macedonia and Albania, to the Adriatic. The achievement of this old design of Russian imperialism was prevented by the defection of Yugoslavia. The expulsion of the Yugoslav engineers and advisers who had helped Albania's reconstruction after 1944 was also a loss. Their place was taken by Soviet experts, more costly and more exacting; and geographical isolation from the Soviet bloc has created enormous supply problems. Polish and Soviet ships bring a few essential goods, enough to keep the Albanian economy from collapse, but not enough to realise vast plans of industrialisation. The Albanian leaders still talk of these plans. At the second congress of the Communist Party, held in April, 1952, Mehmet Shehu spoke of an oil refinery which is to produce 150,000 tons

annually from Albania's oilfields, and of large textile factories and a sugar refinery—all in the future.

But the Hoxha regime has to be taken seriously. In the economic field it has some achievements to its credit. Agricultural output is more than twice prewar. Progress has been made with electric power schemes. Education is crude, and is perverted by Communist indoctrination: even so, thousands of children of illiterate peasants have been taught to read and write. A few of them have chances of careers that were never open to their parents' generation. The information of both refugees and foreign missions suggests that material conditions are very harsh, and that the regime is hated. It

also shows, however, that the regime is obeyed throughout the country. And this is no mean achievement. Under King Zog and under the Italian administration, government was a compromise between the central authorities and the chieftains or landowning beys. The Communist regime is the first in Albania's history that has established the complete supremacy of the central government over every village. The system is the same as in the Danubian satellites: the Communist Party controls everything through its own hierarchy and its command both of the armed forces and police and of the "mass organisations."

The striking thing is that in a country so intractable as Albania, this system should really work. The stories of guerrilla warfare against the regime are little more than wishful thinking. There are probably a few bands of a



few dozen outlaws in remote mountains: their effect on the regime is negligible. And the system is the work of Albanians. The Soviet advisers in central ministries and in military and police headquarters no doubt play an important part; but in the last months it seems that they have been partly replaced by Bulgarians. Russia, however, remains the main source of economic assistance. A Soviet-Albanian trade agreement, signed in Moscow on April 8th, undertook to exchange wheat, equipment for the oil industry, agricultural machinery and fertilisers for Albanian crude oil, copper, crude leather, wool and tobacco. But the country is ruled, not by Russian or Bulgarian personnel, but by Albanians. The maintenance of the regime depends largely on the unity of the Albanian Communist Party itself. Here there are some signs of weakness in reports of rivalry between the Premier, Enver Hoxha, and the Minister of Interior, Mehmet Shehu. But it would be unwise to attach too much importance to this.

The strength of the regime is perhaps still more due to the international situation. This makes Albania poor and vulnerable, but also makes a change very difficult. It remains to be seen whether the Balkan powers' declaration will soothe the Albanian fears of Yugoslav, Greek and Italian designs which Enver Hoxha has been able to exploit to his own advantage. Yugoslavia has 700,000 Albanian subjects; about two-thirds as many as live in the Albanian state. Many Albanians who are far from communist none the less dislike Yugoslavia, hope to see the Kosovo-Metohija province united with Albania, and fear that Yugoslavia intends to subject the whole of Albania. They also fear Greek designs on what they call southern Albania, and the Greeks call northern Epirus.

Albania's Neighbours

Marshal Papagos has stated that Greece maintains its claim to northern Epirus, but will not use aggressive means to enforce it. He hopes that, when a European settlement comes, Greece will receive this territory, but he also insists that Greece wishes to have an independent Albania on its border. Yugoslavia has no territorial aims in Albania, and has expressed no view on Greek claims. In the spring of 1951 a League of Albanian Political Emigrants was formed in Yugoslavia. Its headquarters are in Pristina, and it is led by a former schoolteacher from Korca, in southern Albania, named Apostol Tenefti. The Italian government, and those Albanian exiles in Italy who enjoy its sympathy, attribute sinister intentions to Tenefti and to the Yugoslav government. They believe that though Yugoslavia has no territorial claims on Albania, its aim is to bring the whole country, while nominally independent, under Yugoslav control. The Italian view of Yugoslav policy towards Albania is, of course, coloured by the Italian attitude to Yugoslavia over the Trieste question. About their own aims the Italians preserve silence. They are, in any case, in no position to assert themselves on the eastern shore of the Adriatic. But they have a long-term interest in Albania, and in the course of time their policy will almost certainly be more active and more ambitious. Meanwhile, Italian spokesmen prefer things as they are. Italian diplomatic circles make no secret of their view that the Hoxha regime is better than anything that is likely to take its place. Thus the Soviet outpost on the Adriatic, which forms a substantial though not a disastrous threat to the Balkan members of Nato and to their Yugoslav associate, is preserved by the hostility between Yugoslavia and Italy.

The Fall of Beria

THE future historian may be able to retrace step by step the first drama of the post-Stalinist era, the decline and fall of Lavrenti Pavlovich Beria, deputy premier of the Soviet Union. For the moment, since so much of it has been played behind the closed doors of the Kremlin, there is still vast scope for guesswork and speculation. Yet it already seems reasonable to put forward this seemingly paradoxical conclusion: that the blow apparently aimed at the policeman-in-chief was really directed at the whole policy of reform and concessions that has been followed since Stalin's death. During the first hundred days or so after that event, Soviet policy presented a coherent picture. The new regime was beginning to eliminate the worse features of Stalinism at home and was taking at the same time a more conciliatory line towards the West. The stage seemed to be dominated by reformers and conciliators; the partisans of toughness seemed lost and bewildered. After the Berlin rising the latter raised their heads again. Now they are enjoying their first open victory.

The questions that now present themselves are: How complete is this victory? How much of what has been done can no longer be undone? To what extent will it be possible to check aspirations towards freedom, peace and plenty that have been aroused during the first hopeful days? To answer these questions with any confidence is impossible and the future cannot be foretold. But here, at least, is the evidence to support the view that the Stalinists have made a come-back.

Return to Stalinism

First, it is evident that the form taken by the campaign against Beria marks a return to Stalinism at its worst. When a man who had served the Soviet regime for the whole of his adult life is described as a "bourgeois renegade," a "hireling of foreign imperialism," and an "enemy of the people"; and when mass vituperation against him is staged throughout Russia, the world is hearing the echoes of the notorious thirties. This is not the tone of liberal reform.

Secondly, it is significant that throughout the indictment of Beria reference is made to intensified infiltration by foreign agents, and to the need for vigilance. This was the main refrain of the campaign that was going on before Stalin's death, and reached its climax with the "doctors' plot." It suddenly ceased on the morrow of Stalin's death, when Beria took direct control of home affairs and internal security. The line of policy was reversed. During Beria's hundred days the grip of the police—and this is the crucial point—was not tightened but relaxed. An amnesty was proclaimed and the constitutional rights of the citizen were emphasised. The "criminal" Jewish doctors were freed. Their accusers from the security services were arrested for having extracted information by "unconstitutional means." The self-confidence of the totalitarian policemen was being sapped.

The sequel to this development was played out first in Beria's native Georgia and then in all the other republics. The "tough" directors of the purge, recently appointed men who had been thriving on the vigilance campaign, were dismissed. Their victims were rehabilitated and charges of "nationalism" against them were exploded. In the process

the whole Moscow policy of russification was discredited and some of its exponents eliminated. This is now described by his accusers as Beria's attempt to excite "bourgeois nationalist" elements as a prelude to a restoration of capitalism.

The charge of "capitulation" to foreign imperialism is indirectly a condemnation not only of the internal policy followed in recent months, but also of the new approach towards the West and of reforms within the Soviet sphere as well. There is evidence that the Berlin and East German revolts played an important part in discrediting the policy of conciliation. It was only after Berlin (June 17th) that the first signs could be seen of a come-back of the Stalinist die-hards. The cult of the dead leader was partly revived and the very reporting of the Berlin events, with its emphasis on the part played by "foreign agents" smacked of Stalinism. This was to be expected: the partisans of "toughness" could argue for the first time that a switch from the iron hand of a General Chuikov to the velvet glove of a Mr Semeonov would lead to the disruption of the Soviet third of the world, without any compensating gains.

Will Malenkov Retreat?

The Beria affair does not necessarily mean that a reversal in foreign policy is to be expected soon nor even a sharp change in the treatment of Eastern Europe. There has always been a time-lag between the moves at the centre and consequences at the periphery. Besides, the Berlin troubles and their repercussions were not the only causes of the setback of the conciliators. The accusation now made against Beria reveals that economic difficulties in Russia itself have also played their part. The new regime had promised a more plentiful supply of consumer goods, hoping to obtain it partly through cuts in the production of other things and partly through higher productivity. Apparently, however, liberalisation at home resulted in smaller supplies of foodstuffs and a relaxation of factory discipline. Since the hopes of the consumers cannot now be entirely disappointed, the regime may well need a respite in the arms race which would allow it to shift some resources from heavy to light industry. A complete victory of the tough line at home would, of course, ultimately result in the toughening of foreign policy, but there is no proof that the reformers' defeat is final. Malenkov may be obliged to abandon a clear-cut and consistent policy and to return to the empirical manoeuvring of the Stalinist era.

Other interpretations of the Beria affair have been advanced but fail to account for certain facts. First, there is the view that Beria's downfall is merely a further step in the regime's progress towards liberalisation. This is, naturally enough, the official Communist version, but it has found much credence abroad because of Beria's police functions. It ignores, however, the ample evidence of a struggle within the security services and Beria's role in this. It does not account for the actual changes which took place during his tenure of office.

Then there is a more sophisticated version which ascribes the reversal of the doctors' plot to Beria but the amnesty to Malenkov. This involves an unwarranted separation of moves which sprang from the same source and were leading in the same direction. The amnesty and the rebuttal of the doctors' accusers were complementary; they reinforced each other. If it had been Beria's intention to strengthen the powers of the security police, he would not have discredited its methods in such a manner.

Another interpretation maintains that Beria's downfall is merely the result of a struggle for power between rivals, a personal victory for Malenkov. But individuals rise to power only as representatives of groups, of social trends and political forces. Besides, the emphasis in the indictment on the need for collective—not individual—leadership strengthens the view that Beria's fall is not a sign of Malenkov's climb to supreme power, but is rather a concession extracted from Malenkov by Russia's tough men. Who exactly represents this tough line it is impossible to establish, but it is at least possible to see who is likely to benefit from this turn of events. The army, whatever role it played in the struggle, emerges as the principal beneficiary. Internecine struggle among civilian rulers strengthens its hand, while a return to vigilance, and hence to the glorification of the army, opens the door to Bonapartism. Malenkov must be aware of this danger, and it is yet another reason why he should not lean too heavily on the victors over Beria. He must now guide the Soviet ship—with much less experience and authority than Stalin had—on an irregular course between the Scylla of reformism and the Charybdis of Bonapartism. The course is bound to show disconcerting turns and twists.

The reformists have only lost a round in what may be a long contest. This may partly explain why some reformist moves have been taken and will be taken despite Beria's disgrace. It is easy to forget that only four months have elapsed since Stalin's death. During the first hundred days the pendulum was swinging in one direction only; in the near future its movements may well be rapid and unexpected. Yet it is difficult to believe that the men who worked with Beria during that period can now reverse completely the trend of events and bring policy back to where it was before March 6th.

Europe and the Defence Community—I

Those Against the Treaty

IN the Foreign Aid Bill approved this week in Washington, half of the military assistance to Europe is earmarked for the proposed six-nation army which is to be created within the European Defence Community. Despite the shift of emphasis in the foreign ministers' communiqué Congress and the administration are still acting on the assumption that the ratification of the EDC treaty by Belgium, France and Italy is merely a matter of time. This, moreover, is the line being officially taken in Brussels, Paris and Rome. In fact, however, this picture of government coalitions committed to EDC and opposed by various combinations of socialism, nationalism and pro-Communism, is misleading. The issue has become one of conscience as well as of political interests, and it tends to cut across party lines. Many who started out as fervent supporters of the defence community would now prefer to see the project shelved, whilst many who at first opposed it are gradually realising that it is the least unpleasant of the alternative ways of rearming the Germans. Such recent developments as Russia's peace feelers and internal difficulties, and the general impression that the Nato forces are becoming a match for their opponents have further weakened the Washington case that the ratification of EDC is urgent.

Throughout Europe, indeed, it is felt that the picture may be so radically modified by a Big Four meeting, by the possible defeat of Dr Adenauer in the German elections or by a new crack in the Kremlin, that it would be premature, if not utterly foolish, to press EDC on reluctant public opinion. Many politicians in Western Europe are either unwilling or unable to see that their very caution about ratification will weaken the Christian Democrats in Germany and strengthen the Soviet Union's bargaining hand.

Stalling in Paris and Brussels

Despite local complexities, the Belgian attitude to EDC is particularly instructive. The government, spurred on by M. Van Zeeland, is convinced that the safety of Belgium is linked to the creation of twelve German divisions within a European army. Close scrutiny of the EDC treaty and protocols by a special parliamentary commission and leading juridical experts revealed that it conflicted with the definition of sovereignty in the Belgian Constitution. It also became clear that the technicalities of EDC military command and the provisions governing the movements of troops within the community would infringe the prerogatives of the King. The government proposed, therefore, to ask for ratification while giving a simultaneous promise to revise those nine or ten articles in the Constitution which were specifically involved. The opposition parties, however, had no wish to press for a vote which would reveal their own important differences of opinion. Under French influence, moreover, many in Belgium began seeking for an alternative to EDC and there is growing support there for making Western Germany a member of Nato. Sensing this mood, the government tried to bring the issue to a head. It has failed, however, and the lower house has decided to reconvene on September 15th in a special session. M. Spaak, moreover, is urging that the revision of the Constitution be undertaken before ratification; this would necessitate an election and might return him to power. But even if all these obstacles are surmounted, it is by no means certain that the Senate would ratify the treaty. In short, no decision will come from Brussels until winter, and what it will be is, at this stage, unpredictable.

The attitude towards EDC in France—where the demon was first released from his bottle—is notoriously complicated. Government after government has refused to face the country squarely on the issue of German rearmament and has preferred to give a formal adherence to EDC whilst at the same time postponing a decision about it. As a result public opinion has become alarmed and hostile about an issue on which it has been given less precise information than emotion. People are strongly against German rearmament *per se* and are relying on the hope of a general *détente* and on the fantasy of a more or less permanently neutralised Germany. These sentiments, moreover, have been attended by a resurgence of nationalism in the old style, with all its military trappings and illusions about France's power. In their effort to delay a showdown on EDC, successive governments in which M. Bidault has directed foreign policy have intertwined the issue with a number of other problems such as the Saar's future and France's commitments in Indo-China. The Socialists, moreover, have continued to urge that Britain should involve itself more closely with EDC so that a weakened France would not be left facing a resurgent Germany without close British support. The fact that the United Kingdom has initialled a number of protocols which

go a good way towards alleviating French anxieties has not yet been made public in any detailed way. In the light of recent developments in Moscow, the French are increasingly convinced that the whole EDC issue may in the long run be avoided.

Up to now, Rome has been more enthusiastic than Paris for the whole idea of a European community. Together with Dr Adenauer and M. Schuman, Signor De Gasperi has been the great architect of European catholicity, if not Catholicism. Now, however, owing to the continued delays in France and as a result of the Italian elections, the picture is no longer clear. Many Italians would prefer to see a European constitution fully drafted and ratified so as to make the EDC part of a larger conception and less rooted in purely military concerns. Already before the Italian elections, it was apparent that Signor De Gasperi would postpone debate on the treaty until after the German elections on September 6th. Now it is doubtful whether his precarious margin of support in parliament will allow him to press the issue at all. With a large and vociferous body of opinion demanding that Italy withdraw from the Atlantic alliance, the fate of EDC is very much in doubt.

(To be Concluded)

Firm Hand in Pakistan

THE latest reports from Pakistan indicate that the new government of Mr Mohammad Ali, which is now just three months old, has every intention of carrying out its mandate to restore and maintain complete order. Last week it moved strongly against the Ahrar-e-Islam, the extremist Moslem group that was responsible for the serious rioting in Karachi and the Punjab in February and March. The ostensible target of the Ahrars at that time was the Ahmadi sect, an unorthodox branch of Islam to which the Foreign Minister, Sir Zafrullah Khan, belongs. In reality, as a government statement pointed out at the time, the extremists' agitation had the aim of "fomenting internecine dissensions under the cloak of a religious movement." It was recalled that the Ahrars before partition had been bitter opponents of the whole concept of Pakistan; and many people feared that this intolerant group was now deliberately trying to weaken the young state by exploiting pious Moslems' suspicion of the Foreign Minister's sect. A favourable atmosphere for these tactics had been created by the prolonged dissensions about the religious aspects of Pakistan's draft constitution, and the Ahrars were also aided by a sister group, the Jamaat-e-Islami led by a Moslem from the Deccan, Abul Ala Maududi.

The extremists demonstrated their maximum strength in March, when they completely disrupted law and order in Lahore and drew from the then Premier of the Punjab, Mr Daultana, a statement supporting their case against the Ahmadi. Even after the installation of the new government, they were still bold enough to demonstrate in the capital when Maududi was sentenced to death by a military court in May; the sentence was later commuted. Now, however, Mr Mohammad Ali's government has outlawed the Ahrars and seized their premises and assets. Their Jamaat allies are not as yet totally proscribed, but their

headquarters were raided and their records confiscated last week, and several Jamaat leaders in addition to Maududi have been in prison since the spring riots. If these irresponsible fanatics have at last been made harmless, the Prime Minister will be able to embark on his forthcoming talks with Mr Nehru in the confidence that Pakistan is calmer and more united than it has been for many months.

Trading in "Know-How"

THE fifth report of the Technical Assistance Board may well mark the peak year in the history of this United Nations enterprise since financial stringencies will reduce the scope of its future activities. It is regrettable that this imaginative plan to spread technical "know-how" to the under-developed countries of the world should have enjoyed such a brief span of vigorous maturity after its prolonged and troubled adolescence: it is deplorable that a prosaic shortage of cash should now stunt its growth.

Progress in the earlier years was understandably slow. Experts had to be enrolled, briefed and assigned; suspicious governments informed and won over; machines and materials got ready and dispatched. The work of no less than eight participating organisations had to be co-ordinated and directed. It is little wonder that the machine took some years to wind up; but in 1952 it slipped into gear and went steadily forward. There is no simple measuring rod by which to judge the progress of the technical assistance programme, but during 1952 the evidence of real progress was impressive.

The report is justifiably proud of some of the Board's accomplishments. In Iran, UN water experts located fifty sites for wells in a short 51-day stay. In Libya, the Inter-national Labour Office's training centre, after a period of adaptation, got encouraging results last year in the training of local inhabitants for skilled posts in government, industry and commerce. In the Philippines, a resourceful Swiss UN expert fashioned scientific instruments out of debris from the junk heap—turning ink bottles into laboratory burners and tin cans into tripods—and made possible once again the teaching of science in the schools. Siamese farmers after generations of once-a-year crops are delighted with their perennial pineapple developed on the advice of FAO experts. These and other stories of modest but solid achievements in the right direction are in refreshing contrast to the grandiose but impractical schemes frequently mooted for the development of backward countries.

Thanks to a backlog of unspent financial pledges brought forward from the previous year, a total of \$22.9 million was committed during 1952 in the expanded assistance programme compared with \$6.4 million in the previous period. Ninety-seven countries compared with 71 received assistance; 65 as against 55 pledged contributions; the number of experts dispatched more than doubled and the number of fellowships awarded for training abroad increased two-and-a-half times.

The problem of co-ordinating the activities of the various participating organisations is a perpetual worry. Progress was made during the year in simplifying the chain of command and promoting co-operation in the field. An executive chairman assumed day to day responsibility for administration at the centre, and in the field resident repre-

sentatives proved increasingly valuable. A sound administrative machine has been established.

The report expresses particular satisfaction with the reciprocal character of technical assistance in the past year. India, for example, received 136 visiting experts, but sent 84 Indian experts to other countries; 93 Indians received fellowships for study abroad, but India acted as host to 105 students from other countries. The willingness of countries to co-operate in the exchange of personnel was not, however, matched when it came down to cash. The report dwells at length—more in sorrow than in anger—on the backlog of unfulfilled government pledges of assistance (\$247,600 were outstanding last March from 1950-51), and makes some sensible suggestions for reform in the machinery for making pledges. The annual hat-passing exercise has in the past only taken place during the year in which the pledges were applicable. Thus it is impossible for the Board to make definite plans in advance; commitments to governments and the specialised agencies have to be made contingent on the receipt of the necessary funds. The whole procedure for formulating and vetting programmes is thereby made unnecessarily complicated. The proposals put to the Technical Committee, Tweed Heads, now meeting in Geneva call both for earlier British business references, and for the speedier meeting of 30 miles away.

Information Service at
you in every possible way.

A Note of Warning

Another aspect of the financial **knows Australia** reaches down to policy making in the **SAVINGS BANK OF AUSTRALIA** by the problem of inconvertible currencies. **House, Strand, W.C.2.** Many governments are in currency difficulties, limited convertibility; often the pledge money. As a result the TAB has a continuing difficulty in trying to fit its programmes to the restricted resources in the kitty. How much this difficulty—inevitable in the existing circumstances—has dictated the distribution of assistance is not revealed; but the Board is alive to the dangers. The total pledged resources tend to exaggerate the effective capacity of the programme as a result. It is a pity that this deserving cause should be plagued by the problem of convertibility which ultimately it does so much to cure.

The programme for 1953 envisages commitments totalling \$25.3 million which represents a cut of nearly one-third of the amount estimated by the participating agencies as necessary to continue and reinforce the existing programme. There is a natural tendency for technical assistance programmes to be self-generating as countries come to realise their benefits. Pledges for the current year admittedly add up to \$25 million which would appear to be sufficient, but there is no telling how much of this will be ineffective because of dilatory payment and inconvertible currencies. There is no cushion of unused funds from the previous year to fall back on. The Board sounds a note of warning in saying that 1953 will be "a year of consolidation and even retrenchment." Britain is one of the countries which reduced its pledge from £760,000 to £450,000; it has now partially restored it to £500,000. It would be a welcome and timely gesture if the whole cut could be restored. A chain reaction of matching generosity by the other pledging countries could rescue one of the most deserving and well-conceived postwar ventures in international co-operation.

Perón Tries the Velvet Glove

FROM A CORRESPONDENT

THE last days of June and the first days of July brought a real nip of near-Antarctic weather to Argentina. They also, on the eve of President Ibañez's visit, almost on the eve of Dr Milton Eisenhower's, brought some degree of relaxation to General Perón's cold war on the opposition. Opposition leaders, who after the discovery of the "terrorist plot" had been arrested, without any specific charges being brought against them, were suddenly freed. This unexpected gaol delivery followed petitions presented to the government by political leaders who were still not in gaol, and a letter signed by Dr Federico Pinedo, who was, and who is a member, but not an executive, of the National Democrat party. Dr Pinedo's letter, a lengthy document of over 3,000 words, deplored the inter-party strife which he said had been a feature of Argentine politics for 25 years, and called for collaboration by all parties in the "mandatory pacification" of the country.

within the of the penny-plain and twopence-coloured the King. This is a feature of a country where news-ratification while a government monopoly; and rumour is those nine or ten about what most observers regard as specifically involved, managed by the President himself. A no wish to press for opinion reveals two main ones which important differences led as pessimistic and optimistic.

moreover, many in Belp to EDC and there is from Prison Cell Western Germany a

the government tried to present as pretty a picture of failed, however, as possible to the distinguished visitors reconvene on pessimists, however, also fear that the affair Spaak, move by General Perón to disarm and dis-stitution at still remains of political opposition, however un-ited this is in actual fact. The circumstances surrounding Dr Pinedo's letter give grounds for such fears. Dr Pinedo's plea was made, not as official spokesman for his or any other party, but as an expression of his own hopes and anxieties. The letter was addressed from his cell in the national prison, where for many weeks he had been held *incommunicado* and in conditions of considerable discomfort. Two days later he himself was liberated, as were numerous other political prisoners. Moreover, the move towards co-operation has been only vaguely, if at all, endorsed by the opposition, with the single exception of the splinter group which calls itself the *Movimiento Socialista*, a group which followed Dr Enrique Dickmann on his expulsion from the Socialist party last year after a personal approach to General Perón; and two of the released prisoners are the veteran Socialist leaders Dr Alfredo Palacios and Dr Nicolás Repetto, neither of whom would willingly be identified with their one-time colleague Dr Dickmann.

On the other hand, an influential school of thought is inclined to view the approach to political harmony as a tacit admission by General Perón that he needs assistance in handling Argentina's pressing economic problems. The fact that Dr Pinedo has, by whatever means, been induced to lend his name to the call for collaboration lends some weight to this theory. Dr Pinedo was Minister of the Treasury in President Justo's government; he has a reputation as an economic and financial expert, and was instru-

THE ECONOMIST, JULY 18, 1953

mental in the founding of the Argentine Central Bank in its original form in 1935. It is suggested that he may be invited to join General Perón's cabinet.

That Argentina's economic problems are pressing and complicated is undeniable. In spite of the respite of last season's bumper harvest, the drift towards financial crisis has been only partially controlled. A large part of the harvest had to go towards balancing bilateral trade accounts; but Argentina is still well in the red on most of these. Moreover, the terms of trade have again turned unfavourable; IAPI, the state trading monopoly, is now paying producers some 30 per cent more than the world price for wheat alone. And on top of IAPI's trading loss, recent foreign trade figures, whilst encouraging in that they show a return to a favourable balance after the deficits of the past two years, also suggest that the Central Bank's exchange profit, which might have offset IAPI's trading loss, has disappeared.

Balance of Foreign Trade, 1953

	Actual Figures at Export Rates	Figures Adjusted to allow for Exchange Differential.
January	126.7	179.4
February	154.7	161.3
March	178.3	151.2
April	237.7	217.5

Normally, with a favourable balance, the "adjusted" figures should be higher than the "nominal" figures. In March and April they fell below them—presumably because of the influence of favourable rates or bonuses granted to stimulate exports of certain commodities. This trend may be transitory; should it persist it might lead to another overhaul of the multiple rate schedule—in other words, to a further devaluation of the peso.

On the home front, the policy of "containment" has kept the formerly soaring currency issue figures within bounds; but it has failed to control the gap between bank deposits and advances. It has also failed to control cost-inflation.

Bank Advances and Deposits

	Advances (Million Pesos)	Deposits (Million Pesos)
December, 1952	44,212	27,282
March, 1953	47,384	32,038
April, 1953	47,735	31,881

Prices, after the cost-of-living crisis of last April, are still rigidly held down by police methods. Beef is still more plentiful than before and the packing-houses have been forced to form a stockpile as a precautionary measure; but the reduction in fat-stock supplies to the Liniers market, which supplies Buenos Aires and surrounding districts, suggests that in spite of the surprisingly optimistic cattle census figures (of over 45 million head), the situation as regards beef for home consumption and export is precarious. Moreover, the April cost-of-living crisis was closely connected with the problem of short-employment. Short-employment still persists, and ominous rumblings are again coming from the ranks of labour.

Señor Borlenghi, the Minister of the Interior, has stated that the government's views on the proposed party truce (if such it can be called) will be announced about the middle of July. If in fact Dr Pinedo is invited to join the cabinet, it is doubtful how many, if any, of his own or other opposition party leaders will be induced to follow him. Nothing in General Perón's record of political bad faith and broken promises seems to encourage the assumption that a new era in Argentine government is dawning.

THE ECONOMIST, JULY 18, 1953

THE UNITED
STEEL
COMPANIES LTD

THE LARGEST STEEL PRODUCERS IN THE BRITISH COMMONWEALTH

The United Steel company's programme of research stands in high repute, not only within the steel industry but in the wider field of scientific and industrial development.

Each producing unit of the company has its own extensive research facilities for individual problems. Co-ordinated work of a more fundamental nature is undertaken for the whole organisation by the Research and Development Department at the newly-opened Swinden Laboratories.

Here over 180 research workers with a great diversity of scientific skills and practical experience pursue development research upon raw materials, plant and processes, as well as upon products and their applications.

This team has been responsible for work (such as that on principles of furnace design) which is already paying dividends in increased outputs and reduced costs; many notable new products, applications and techniques are being made available to the steel-consuming industries.

APPLEBY-FRODINGHAM STEEL COMPANY
SAMUEL FOX & CO. LTD.
STEEL PEECH & TOZER
UNITED STRIP & BAR MILLS
WORKINGTON IRON & STEEL COMPANY
UNITED COKE & CHEMICALS COMPANY LIMITED
UNITED STEEL STRUCTURAL CO. LTD.
DISTINGTON ENGINEERING CO. LTD.
YORKSHIRE ENGINE CO. LTD.

THE UNITED STEEL COMPANIES LTD.
SHEFFIELD

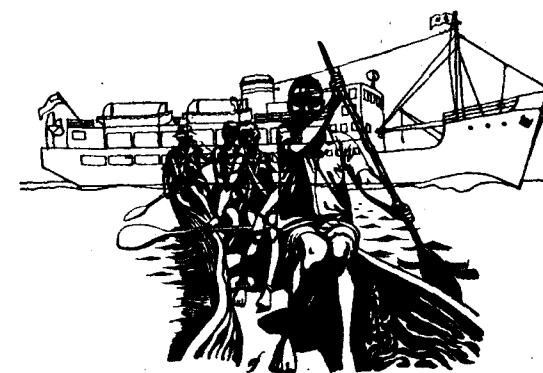


Ever heard
of
Tweed
Heads...

... a New South Wales town that grows pineapples? Perhaps not, but it is one of many comparatively unknown places which together form the Australian market. Tweed Heads has something particularly its own... other than a branch of the Commonwealth Bank, that is. Its social and economic conditions are individual. And so are those of all the other towns and cities throughout Australia which the Commonwealth Bank knows as intimately as it knows Tweed Heads. This detailed yet nationwide knowledge is essential to British business houses viewing the Australian market from 12,000 miles away. It can be easily obtained from our Financial Information Service at Australia House which will be glad to assist you in every possible way.

The Commonwealth Bank knows Australia

COMMONWEALTH BANK OF AUSTRALIA · COMMONWEALTH SAVINGS BANK OF AUSTRALIA
8 Old Jewry, London, E.C.2. And at Australia House, Strand, W.C.2.



First hand observation
of the East African scene

is necessary to judge the suitability of a British product for the local market. For this reason the National Bank of India, which has long established branches in Uganda, Tanganyika, Kenya and Zanzibar, serves as a valuable source of information to businessmen seeking new markets. Precise and up-to-date details of current conditions in East Africa can be readily obtained through the Head Office or any branch.

NATIONAL BANK OF INDIA LIMITED

Branches in:
INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA,
ZANZIBAR, UGANDA, ADEN AND SOMALILAND PROTECTORATE.

Bankers to the Government in:
ADEN, KENYA COLONY, UGANDA AND ZANZIBAR.

Head Office:
26, BISHOPSGATE, LONDON, E.C.2.

It is the
calculating machine
that gets through routine
figures faster that
serves your business
best

FORGET THE FRILLS— get down to the facts

95% of the calculating done in a normal business will be a matter of simple arithmetic—adding, multiplying, and subtracting. On payroll, invoicing, stock records, and the great volume of routine analysis, there's no place for a calculating machine that will do trick computations.

What is needed is a calculating machine that gives the very maximum output of facts and figures for the hours it is in use. This is where Burroughs calculating machines excel. Operating with the minimum of rehandling, the minimum number of key-depressions for the work on hand, they can speed up the rate of figure-production in your office by as much as 20%.

Now that Burroughs have been able to reduce the initial cost of their calculating machines, you have one more good reason to call Burroughs today.

Burroughs Adding Machine Limited, Avon House,
356-366 Oxford Street, London, W.1. Sales and Service
offices in principal cities.



The how and why of speed in operation

ALL-ELECTRIC OPERATION

Electrification gives light uniform key stroke for all keys, controls registration, safeguards accuracy.

INSTANTANEOUS RESULTS

No pre-setting of amounts, no control key or minor bar operations. Addition and multiplication are instantaneous.

DIRECT SUBTRACTION

Depress the subtract key. The single amount or the total in the front dial is instantly subtracted from the gross in the rear dial for the net amount.

AUTOMATIC GRAND TOTALS OR NET RESULTS

Two answer dials—one for single calculations, one for grand totals or net results. After completion, grand total or net result without "recapping."

Count on Burroughs for straight answer!

THE BUSINESS WORLD

Clouds Along the Persian Gulf

EXACTLY two years ago Persia's oil ceased to flow to world markets; in that short time the face of the rest of the Persian Gulf has been transformed. In Saudi Arabia and Kuwait the oilfields have been so greatly expanded that, by the end of 1952, their joint increase in output, shown below, had more than replaced Persia's production in its last year of full flow. Rather less well known are the rising rates of new fields in neighbouring deserts. In 1952, two affiliates of the internationally owned Iraq Petroleum Company, operating near Basra in Iraq and in the desolate Qatar peninsula, respectively produced 17 million barrels and 25 million barrels, and this year there has been a new find by the American Independent Oil Company in the Neutral Zone shared by Kuwait and Saudi Arabia. Meanwhile the earliest field on the Arabian shore, run by Americans in Bahrein, yields its steady 11 million barrels per annum; just to the south of it a member of the Royal Dutch-Shell group has taken up a 10,000 square mile sea-bed concession off the coast of Qatar. Aramco has located, but is not yet producing from, another under-sea field off Safaniya on the Saudi Arabian coast, and there is local contention over rights to the rest of the shallow floor of the gulf. Meanwhile, both Aramco and the IPC affiliate, Petroleum Development Ltd., are prospecting in the untried deserts to the south-east and south-west of the Qatar peninsula.

So far as crude oil is concerned, a return of the Persian flow on to world markets would now be an embarrassment, not a help, to everyone except the Persians; it would entail contraction of output elsewhere, and it would bedevil the relations between companies and rulers who have come to count on higher revenue from oil. This is not yet true of refined products. The Abadan refinery with its potential throughput of over 500,000 barrels per day is the largest in the world. The only other two refineries of size on the Gulf—Aramco's at Ras Tanura and the Bahrein Petroleum Company's plant at Bahrein—can each put through about 200,000 barrels daily; other refineries marked on the accompanying map are small topping plants only. Abadan's output will continue to be missed in Asia until, from 1954 onwards, the refineries now being built at Aden, in India, and in Australia come on stream. It is no longer missed in western Europe, where self-sufficiency in refining capacity has been attained.

Technically, therefore, the companies operating in the Persian Gulf have risen buoyantly to the demands placed on them, not only by the disappearance of Persia's oil from world markets, but also by the rising tide of world consumption, particularly in under-developed areas. But as the fate of Anglo-Iranian in Persia showed, technical efficiency alone does not

CRUDE OIL PRODUCTION: MILLION BARRELS

	1950	1952	Management
Persia	241.4	10.6	1950—British: Anglo-Iranian 1952—Persian: NIOC
Saudi Arabia	199.5	301.8	American: Aramco
Kuwait	125.7	273.4	Half British, half American: Kuwait Oil Company

DIRECT PAYMENTS BY OIL COMPANIES TO THE GOVERNMENTS OF OIL PRODUCING COUNTRIES (\$ million)

	Saudi Arabia	Kuwait	Iraq	Bahrein	Qatar
1950	112.0	12.4	14.8	3.3	1.0
1951	155.9	30.0	38.5	3.8	3.8
1952	170.0	139.0	110.0	6.3	9.0

guarantee success. It cannot offset shortcomings, or what the local peoples see as shortcomings, in the fields of financial or social relations. Financially speaking, other rulers along the Persian Gulf have proved less difficult to satisfy than the Persians. Most of the other oil-bearing territories, though not quite all, regarded themselves as getting a fair deal under the so-called 50:50 arrangements on the Venezuelan model that have now become common. But there is no permanence in such arrangements. Even though they may be satisfied on the money score, the peoples—in degrees which vary according to their education—remain full of complexes, anxious to do things for themselves, mistrustful of western control of oil prices and oil marketing, and fearful lest they should be outsmarted by the technical and economic strength of the west.

All these new financial arrangements, except Aramco's with King Ibn Saud, post-date the Persian debacle. Under formulas which differ slightly from territory to territory, they are based on the principle of an equal division of profits before deduction of foreign tax (so that the concessionaire pays home taxation only on his share of the proceeds, and the owner government's share is unaffected by foreign taxation). This division has been accepted by the Iraqi Parliament, and is providing the Iraq Development Board with more revenue than it can spend on capital works without causing inflation;

in the much smaller territories on the Gulf Coast, it has trebled and even quadrupled the sums paid into the private pockets of the rulers. Oil provides one-quarter of the national income of Iraq, one-half in Saudi Arabia and over three-quarters in the smaller principalities, the highest proportion being that of Kuwait.

Now it seems that even wealth on this scale may not satisfy the rulers. They have been educating themselves in the arts of squeezing the orange. If there is a 50:50 agreement, why not insist that it should be made retroactive? If a concessionaire sells oil under bulk contracts at special price, why not demand that the profit should be worked out on the full price? Local jealousies emerge; the Sheikh of Bahrain is disturbed at the greater production and therefore the greater wealth of a neighbour in Qatar who has far fewer responsibilities than he. The Saudis, who are insatiably greedy for more and more money, have been inquiring whether Aramco has a right to sell its crude oil to its

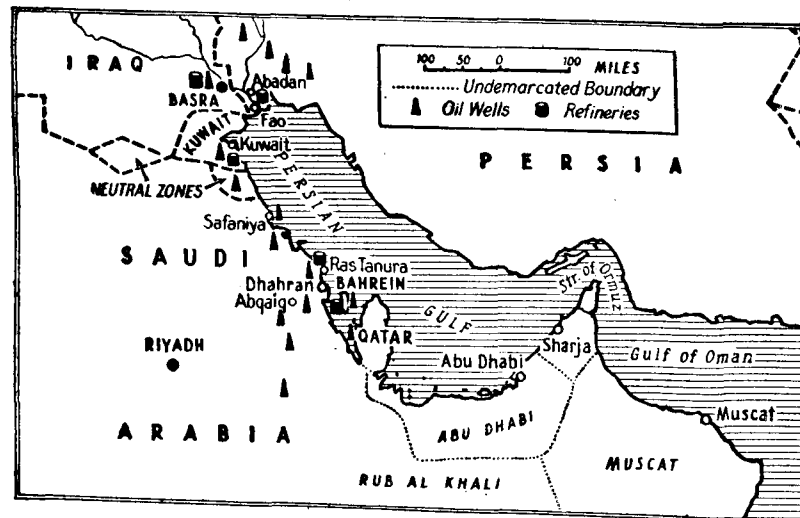
parent companies below market price and whether they ought not to be receiving compensation for oilfields discovered but not yet operated owing to the state of world demand. Lynx eyes are seeking out fresh sources of payment, visible or invisible; if one secures a promise of free natural gas from the wells, or free sweet water for a nearby municipality, or free school buildings for a neighbouring town, the others want the same. The old days of varying obligations are past history. It follows that the companies, who already exchange information on wage rates, might extend this consultation to a wider range of their activities, particularly to the free services they supply to local communities. Some of them explain their reluctance to do so on grounds that "too much ganging up" might involve them in difficulties with the Anti-Trust Laws, and it is easy to understand their fears. But unless they keep in step, they will be open to pressure. There is now such a roving up and down the coast, not only by sheikhly families, but also by workers trying out what the different companies offer in conditions as well as wages that the companies will find themselves being

played off one against another unless they pursue common welfare and social policies.

It is an open question whether the rulers have yet seen that it could be disadvantageous to push the companies too far—that if they were to demand added benefits that would push the division of profits towards 60:40 and then

higher, they would stand to lose, as Egypt has lost, by rendering profit margins so narrow as to cause oil companies to abandon all thought of further prospecting and development. These are some circumstances in which a concessionaire's parent government can help him with his diplomatic difficulties, but in the United States, relations between the oil companies operating overseas and the Administration are hardly in the halcyon state in which this is likely to happen. Who is to drive home to the Middle East novel idea that an oil company is not an inexhaustible cornucopia? Only Washington could do so.

People proud of their lineage and confident of their ability are capable of discounting material gain if they think their capacity is slighted; the Middle East today is divided into a small minority of men in responsible positions who secretly think that Dr Mossadegh has committed an act of folly, and a multitude, including many well-educated people, who



think that he has struck a noble blow for his country and Asia's prestige. The greater the provision of secondary school education, the larger is the element of the population that holds this view; it is proportionately largest, therefore, in Iraq. In Saudi Arabia and the sheikhdoms, the few young men of education are still being mopped up by commerce, where there is quick and easy money to be made. But as more and more of them travel west in search of technical training, their anxieties to run their own show are bound to quicken and to manifest themselves—often unjustifiably—in the familiar anti-western pattern. The threat that this will happen is perhaps greatest in those sheikhdoms and kingdoms where innumerable princelings of the ruling family have been endowed with huge unearned incomes; in less than a decade their fortunes will be greatly resented by the many boys of less exalted birth now being sent to Britain or America for schooling; these, when they come back from their western training, are likely to be driven by custom and local loyalty to vent their chagrin not upon such feudal survivals but on the foreign source of their wealth. Although the different companies may differ in their approach, all will be confronted in some measure by the same local emotions. Another potential cause of discontent—no

Investment in Research

IN proportion to its national income, Britain today probably spends about as much on scientific research as the United States. But depressingly little of that research takes place in private industry; and, in addition to spending less than their American competitors, it seems clear that British industrial concerns get less or later benefit from what they spend than they ought to—or than American industry probably would. That, at any rate, is the popular impression—and the verdict of various authorities that have examined this question. The latest such authority is the Government's Advisory Council on Scientific Policy, which last week published a specific report on "The Exploitation of Science by Industry."

As so often, there are no accurate figures available for comparison between Britain and the United States. But by comparing experts' broad guesses for this country with quite detailed American statistics, it can be inferred that both countries devote to research just under one per cent of their gross national product. In the United States this amounts to some \$3,000 million a year; in Britain, to something over £100 million a year. A comparable "unit of research"—a graduate worker, his assistants, equipment and overheads—probably costs between a half and a third a year here of what the equivalent would cost in the United States. So Britain, spending about a tenth of the amount spent in America,

longer imminent in view of current announcements that Middle East oil prices will continue to be dominated by the American market and are following the recent price rise there—would be a fall in the world price of oil. For nearly ten years the Arab coast of the Gulf has known boom conditions unalloyed; it now regards them as normal. But it should be recalled that both of Persia's first serious brushes with Anglo-Iranian—during the 1931 slump and at the start of the last war—were occasioned by a falling off in revenue due to no fault of the company's. The vicissitudes of the world market are not easily explicable to sheikhs accustomed to wealth beyond all expectations.

Who would choose an oil company's task of steering between so many pressures—of local rulers for more money, of consumers in all markets for lower prices, of Washington to observe the sacred canons of anti-trust law, of foreign governments to pay workers well and to throw in so many extras, of young nationalists for fulfilment of frustrated ambitions, of fellow companies for retention of existing price structures, and of shareholders for good management of their money? The companies have their work cut out in the Middle East. Only 54 per cent of the world's oil reserves could possibly make their dog's life worth while.

may perhaps obtain about a quarter of the American "volume of research."

British industry, however, cannot account for much more than a third of this country's annual research expenditure, if indeed it accounts for that. Industry pays for three-fifths of the £3 million spent by industrial research associations each year, buys perhaps £500,000 worth of sponsored research, and spends, at a guess, something more than £30 million a year on research and development in its own laboratories; the remainder of British research expenditure is in the Department of Scientific and Industrial Research (some £5 million a year), some spending by universities, and as part of the huge defence expenditure on "research and development" by the Ministry of Supply and the Admiralty (say, £60 million a year). In the United States, the Government also paid for more than half (56 per cent) of the research and development work done last year; but about \$1,800 million worth of research was done in industrial laboratories.

It is in the light of such figures that the Advisory Council on Scientific Policy accepts it as a fact that

though the amount of research and development being undertaken by British industry today is much greater than it was immediately before the war, it still falls far short of the average level in the United States.

The Council considers the first reason to be lack of scientists and technologists: too few in research,

too few in industry, too few, in particular, in the top ranks of industry. It believes that demand was and is the limiting factor here: "large sections of industry, being conservative and complacent, have neither missed [the applied scientists] nor asked for them." Its emphasis here may be better than its assessment of supply. No doubt industry ought to be looking for still more qualified men; but if it did, would they be immediately available? The number of appointments advertised in scientific journals, to take one indication, has been rising since the war, and still is. The number of science graduates grew fast after the war but already the number of applicants for degrees in technology is falling.

The second, and perhaps the most critical reason limiting the use of science by British industry is the familiar point that total real industrial investment here is relatively smaller than in America. The Council cites the usual and well-known statistics here. The American labour force in manufacturing is only twice the British, yet the Americans spend five or six times as much on new plant and equipment; this is three times as much for each person employed, or say twice as much in real terms if allowance is made for the differing cost of plant in the two countries. Moreover, expenditure on research and development in American industrial laboratories is equal to 8 per cent of business investment in plant and equipment; in Britain, the percentage is probably little more than half of that.

The report does not accept the common argument that prevailing rates of taxation limit spending on research and development in Britain—at least not directly. Contrary to general impressions, the treatment of research and development for taxation purposes is as favourable in Britain as in the United States. By comparison with the burden of tax borne by profits utilised in other ways, the concessions given for research and development might seem to offer a positive incentive to British industry to spend more on technical research. Where the tax shoe does pinch, however, is in its contribution to the shortage of risk capital. The council recognises flatly that

Clearly the most effective single measure that would conduce to a greater exploitation of science by industry would be a significant increase in the volume of investment. . . . In particular, the shortage of risk capital is seriously affecting the quality of investment, too high a proportion going into relatively safe forms.

This is undeniable, but there are perhaps some riders that should be added to it. The shape that the British risk capital problem has taken in recent years is that fewer and fewer investment decisions have been made directly by rich private individuals, and more and more by the managements of companies financing their own investment from internal resources and by the managements of financial institutions investing in industry. One traditional source of innovation, freely investible personal savings to back the small new business, has dried up and is hardly likely to reappear. But the

council does not examine what effect this may have on research expenditure as a whole.

Research, of course, is as risky an investment as wild-cat oil-drilling; twenty research projects may have to be started for each one that becomes a commercial success, but that one may pay off the whole research budget many times over. And even if the decline in personal investible funds is partly offset by an increase in the money available for investment inside established businesses, this will not automatically guarantee technical progress; since the war, some large companies in the most advanced of industries have invested in plant obsolescent when ordered and even farther behind the most advanced standards when completed. But broadly, it is the larger businesses that have the most ploughed-back resources to invest and can attract institutional investment; and these generally pay most attention to research and technical change. It is hard to believe, however, that institutional research and investment will be enough to bring about the radical improvement required of British industry.

The council rests some of its hopes for expansion in the industrial research associations, which today vary in quality, industrial support, and in resources to carry projects forward to the pilot plant stage. But it places still more hope in the development contract. Today, the Ministry of Supply gives research and development contracts to the aircraft industry (as well as the service of research establishments such as Farnborough); without these contracts, the aircraft gas turbine might never have been developed so far and so fast, and the British aircraft industry would never have gained its current pre-eminence. Similar contracts have been placed for the development of industrial gas turbines, and by the Post Office for telecommunications equipment. These contracts constitute perhaps the most effective form of a more general association between government and private business on certain fringes of technical development. Support of industrial research by DSIR itself is another form—varying from 100 per cent for the Building Research Station, through heavily supported research associations for industries such as instruments, to smaller contributions to the richer and more independent associations. Outside this, there are isolated cases of direct investment: Power Jets, Ltd., is one example, and the Treasury's holding in a company set up to produce sulphuric acid from anhydrite is another. The council believes that the research and development contract system might usefully be extended in certain fields, particularly in connection with longer-term needs such as more economic use of energy and raw materials. In other fields, it believes that the National Research Development Corporation, and perhaps development companies associated with some of the larger research associations, might be brought in to place contracts for development and design with suitable firms.

Perhaps the strongest argument for this is the extent to which America uses development contracts. Despite its aversion to open "co-operative research" on the pattern of the British research associations, industrial

technology in America is supported by a volume of Government-financed research far exceeding anything in Britain. Last year the American Government paid for nearly 40 per cent of all the research and development work done in industrial and university laboratories, and its definition of "national importance" in civil and military projects is flung very wide indeed. One recent estimate suggested that of all the research work on steel in America the Government, through one agency or another, was paying for more than half; this compares with the DSIR grant of 15 per cent to the co-operative steel research association in Britain. There are few major corporations in America that are not

engaged in at least one development contract for some agency of the United States Government.

There are obvious objections to giving Government departments too much responsibility for promoting technical advance or identifying technical needs. Few are properly qualified to assess commercial promise; moreover, recent technical history suggests that various sections of British industry might take the excuse of leaving most of the job to the Government. Nevertheless, in many fields independent research and development—private, co-operative, or nationalised—seem to be moving more slowly than the country can afford. The mixed economy may need more mixed research.

Business Notes

The Limping Surplus

ALTHOUGH British exports to North America, and especially to Canada, are making remarkable progress, Mr Butler had to tell the House of Commons this week that "the general trade position is as yet not satisfactory if we are to maintain the impetus that we so much need." He was speaking just after the publication of the preliminary trade returns for June, which showed that the daily rate of total exports remained stable at the May figure of £8.8 million, but that the daily rate of imports had risen to £12.15 million compared with £11.8 million in May. Since exports to North America in June were at the record level of £30.5 million—£1,700,000 above the previous record in April and no less than 50 per cent above their level of eighteen months ago—it is obvious that British exports to softer currency countries are doing something less than mark time.

Nevertheless it still seems probable that Britain's external surplus on invisibles exceeded its external deficit on visible trade by between £50 million and £100 million in the first half of 1953, although the current rate of surplus at the end of the half-year is likely to have been rather lower than that. The trade figures for June show that imports (valued c.i.f.) exceeded total exports by some £79.8 million in the month—compared with an excess of £76.8 million in May and an average monthly excess of £64 million in the first six months as a whole. This average monthly excess of £64 million in the first half of 1953 straddles neatly between the similar average monthly excesses of £50 million in the second half of 1952 and of £76.6 million in the first half of that year; at first sight, therefore, it might seem that in the first half of this year the real visible deficit on the balance of payments (that is, excluding the freight and insurance component in import costs and measuring payments instead of shipments) should also have straddled neatly between the real visible deficits of £17 million in the second half of 1952 and of £74 million in the first half of it.

Arithmetic of Balance

IN fact, however, the visible deficit was probably rather nearer the top of this range. In the first half of 1952 the eventual balance of payments figures proved to be much better than the shipments figures in the monthly trade returns had suggested; this was because import shipments (which are paid for before they appear in the trade returns) were much lower just before the end of the half year than just before the beginning of it, and export shipments (which are paid for after they appear in the trade returns) were much higher just before the beginning of the half-year than just before the end. There were also exceptional receipts in that half-year from sales of second-hand ships and other items that do not appear in the trade returns at all. In the first half of 1953 imports have been rising, and the greater part of the "lag effect" will therefore have worked the other way. In view of this, the best guess one can make is that the real visible deficit in the first half of this year may have been somewhere around £70 million or £80 million—but that the current half-yearly rate may be over £100 million now.

As an offset to this visible deficit, however, it will be disappointing if the invisible surplus—on investment income, insurance, shipping and oil—was not at least £150 million in the first half of this year and is not being maintained at around that level now. This invisible surplus was £135 million in the first half of 1952 and £126 million in the second half (when the account had to be debited with some £40 million in interest payments on the North American loans). It is on this basis—an invisible surplus of at least £150 million and a visible deficit of £70 million or £80 million—that the total external surplus in the first half of 1953 (excluding American aid) can be tentatively estimated at between £50 million and £100 million, compared with a total external surplus of £109 million in the second half of 1952 and with a current rate of surplus that is probably less than £50 million per half-year. The next

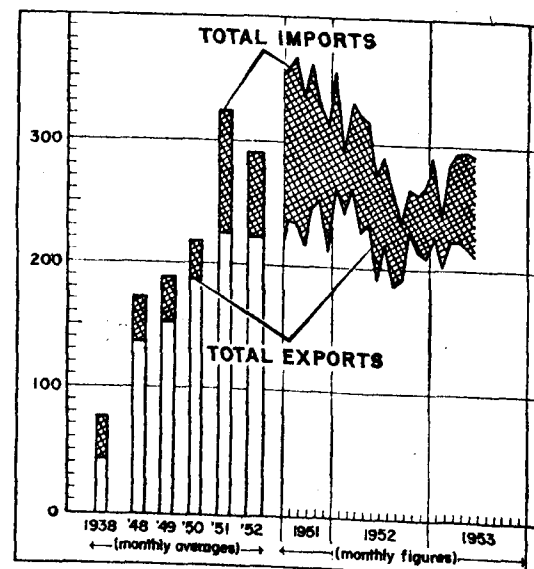
balance of payments white paper, which should be published in September or October, will show how right—or how wrong—this hazardous arithmetic is. Compared with most previous postwar years Britain's external balance is certainly still in relatively calm water; but at this moment, an ebb tide may be setting in.

Coals to and from Newcastle

THE Coal Board's decision to import marginal tonnages of large coals, while continuing to fulfil its own export contracts for similar grades of coal, resembles the practice of the cement and steel industries in recent years, and of some engineering industries—notably machine tools—during the rearmament period. The board will sell the imported coal at home prices. The decision reflects the depressing performance of the industry. Though the decline in the proportion of large coal mined may be inevitable, it is the failure to increase total output largely because the miners are working fewer shifts—that has made this particular shortage so critical. Against the loss thus incurred the Board can count its sales of the same coal overseas at perhaps £1 5s. a ton more than the price at home, its disposal overseas—also at an export premium—of the quantities of small coals that Britain's foreign customers will accept only if large coal is supplied as well, and some intangible for goodwill—or perhaps avoidance of ill will—if Britain manages, this year, to fulfil its export promises.

The Coal Board has spoken of an actual "saving of foreign exchange" through the transaction—presumably by comparison with what it might have lost had it cancelled export contracts. Whatever the inwardness of this, the transaction must inevitably cost the Board money; a ton brought in and sold at home prices must surely involve a

THE UK TRADE GAP
£ MILLION



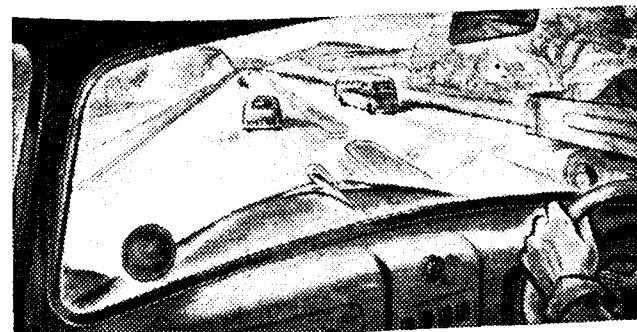
loss larger than the profit a ton exported can earn, even with the conditional export of small coal. The Board, of course, has not only to nurture its export markets, for what it hopes these may be worth in the future. It has a statutory duty to secure for the British consumer the "quantities and qualities" of coal required, which perhaps takes priority over its obligation to balance its books "taking one year with another." This is not the first time that its dual obligations have conflicted. Perhaps the most doubtful point about the whole operation, quite apart from loud lamentations over "coals to Newcastle," is the implied assumption that Britain can count on continuing to export large coal, despite the steady decline in the proportion of these grades included in total output. Unless the British consumer can be persuaded to burn small coals—and is given grates designed to burn them, not new-style grates that work properly only on the best coke—that assumption may turn out wrong, on the current prospects for future coal output.

Not-So-Private Cotton

THE decision of cotton spinners to contract out of the Raw Cotton Commission's supply facilities to the extent of only 56 per cent of total raw cotton consumption may be no bad thing. The difficulties of reopening the Liverpool market are not only economic; they are also political, and the evident need now for a policy of gradualism is probably best for the Government, Liverpool and Lancashire. Liverpool can console itself with the thought that the proportion of consumption the private merchants have been asked to supply next season has nearly doubled (it was 30 per cent this season), and the experience of handling over half of Britain's imports of raw cotton will be a valuable preparation to the resumption of its prewar role. It is notable, in view of the difficulty of providing adequate cover against Egyptian-type cotton, that the percentage of this type of cotton to be bought privately next season should have more than doubled (to 40 from 15 per cent). The Government, in accepting the recommendations of the second Hopkins Report, recognised the principle of free choice for spinners, and must now recognise in deciding future policy that Lancashire has not given it a clear mandate to return cotton buying wholly to private enterprise. The slight majority of mills wishing to stay with the Commission represents the smaller firms in the industry; they may dwindle to a minority, but are likely to be a vociferous one.

The Commission itself must have received the divided vote with mixed feelings. On the one hand, it appears to confirm the belief that the price differences between buying cotton privately or publicly are marginal, and affirms the great convenience of the Commission's spot stock of cotton, which reduces a spinner's need for capital to finance his own stock. The private merchants have not yet been able to build up sizable stocks.

It also recognises the benefit which the contracting-in spinner obtains from the Commission's merchandising section, by being able to cover against differences in the movement of the price of the basic grade of cotton and a particular grade; the contracting-out spinner can cover only against movements in the basic grade. On the other hand, the



YOU'LL FOLLOW THE TRACKS Of The BIG Yellow 'CATS'

Many people on the east coast of England have been astounded at the speed with which Caterpillar earthmovers have helped to rebuild the shattered sea defences. One day—perhaps soon—you'll be travelling the new roads which such Caterpillar equipment as this has helped to build. They'll be fine roads, a credit to Britain; the ultra-powerful, fast-working 'Cats' (world-recognised nickname for

world-famous machines) will have done an incomparable job, going a long way towards solving the country's transport problems.

Distributed & Serviced in U.K. by:
North & East—H. Leverton & Co. Ltd., Spalding, Lincs.
Wales & South-West—Bowmaker (Plant) Ltd., Willenhall, Staffs.
London & South-East—Fred Myers Tractor & Equipment Co., 4 Tilney St., London, W.1.
Scotland—Caledonian Tractor & Equipment Co. Ltd., 1 Rigby St., Glasgow, E.1.

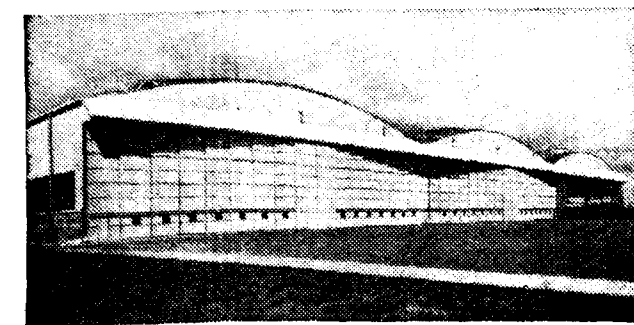


CATERPILLAR
(Regd. Trademark)

DIESEL TRACTORS AND EARTHMOVING EQUIPMENT

HANGARS

are needed all over the world—



and S.M.D. is supplying them!

S.M.D. Aluminium Hangars are permanent buildings, directly competitive in cost with steel or concrete... plus STARTLING erection times... and, of course, no painting is required. Let us send you details.

ALMIN LIMITED • FARNHAM ROYAL • BUCKS

FARNHAM COMMON 595

Aluminium Hangars are built by S.M.D. ENGINEERS of Slough, the construction company of the Almin Group.

If it's Aluminium—ask Almin!

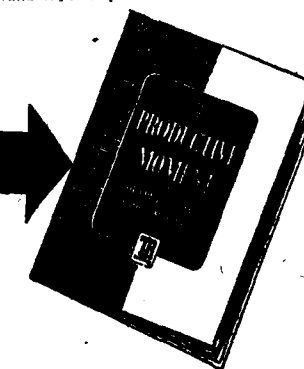
IF YOU BUY MAN HOURS—read this factual schedule:

Internal Telephones	Staff Location & Broadcasting	Time Control
① By freeing G.P.O. switchboard from inter-office calls, we've saved 50% of operating cost. Quick access to personnel and information has reduced our G.P.O. account 5% and we save £300 p.a. on other messengers' wages.	10% saving of executives' time increases efficiency. Quick reporting and repair of breakdowns reduces time wastage by 2%, adds 1% to production... regular broadcasting of music increases keenness, alertness and output.	Time recording system in departments and automatic break and pre-resumption signals system made 36,500 extra man hours per annum available for production—equalling 2% of total wage bill and 2% of output.
② ...we would certainly be lost without them... extending our system to cover all departments has much increased administrative efficiency.	Our staff are happier and more contented. Broadcasting for locating staff is of immense assistance.	Departmental time recording saves 5 hours 40 minutes paid man hours per day... break time signals system saves 10 hours 40 minutes man time per day. £1,950 extra man hours value thus made available per annum.
③ Specific cash savings are 5% on G.P.O. telephone charges and £150 p.a. wages of messenger... switchboard operator is able to do other work.	...we consider that speedy broadcasting of information and quick location of breakdown personnel increased production efficiency by over 5%.	Recording of time in departments instead of at the gate adds 3% to productive value of wages paid. T.R. Attendance Cards save 24% of salaries of wages department.

It is compiled from information supplied by users of T.R. Service who, like more than 20,000 other subscribers, find T.R. Internal Telephones, Broadcasting and Staff Location and Time Control essential to the smooth and efficient running of their businesses. The cases quoted below are as follows:

- ① Plastic Manufacturers—448 employees
- ② Metal Stammers—160 employees
- ③ Ironfounders—550 employees.

Originals of these users' reports and many others from widely differing industries are available for inspection.



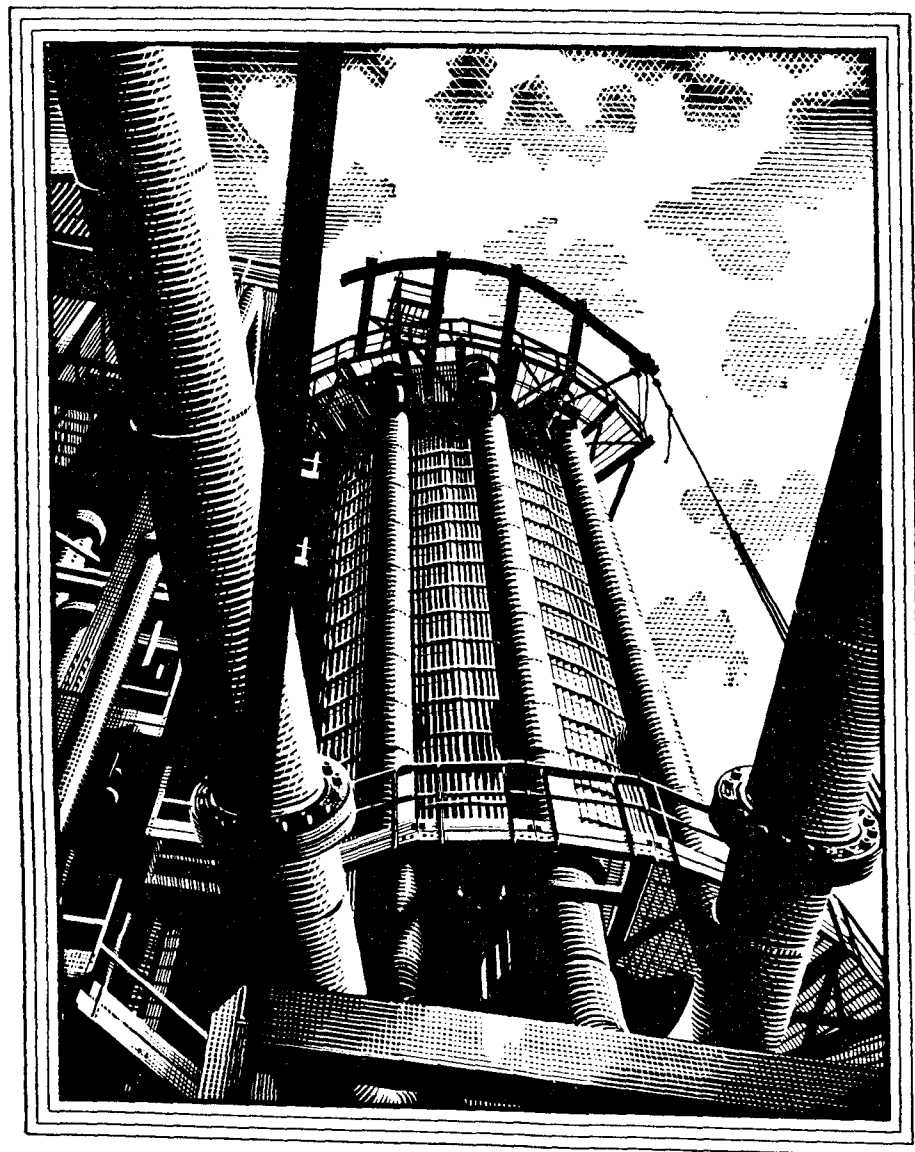
Find out how T.R. Service can help your business too.
SEND FOR THIS FREE VOLUME

It explains how T.R. Service increases productivity by solving time problems that are similar to yours. If you are an employer of labour write on your business heading now for your copy of "The Productive Moment" to Telephone Rentals Ltd., 25 Kent House, Rutland Gardens, London, S.W.7

WHEN IT'S A QUESTION OF TIME **T.R. SERVICE SPEEDS PRODUCTION**

14 T.R. Service Branches throughout the United Kingdom. Also Johannesburg, Cape Town, Paris and Brussels

There's a future in STEEL



ON THE ISLE OF GRAIN in Kent the centuries-old work of extracting salt from sea water has given place to the modern industry of oil refining. More than a hundred thousand tons of steel have been used in the construction of Anglo-Iranian's newest oil refinery there. Through the six hundred miles of steel pipeline now laid on this site four million tons of oil will pass each year for processing. The finished products will serve homes and factories throughout Britain, and land, sea and air transport in many countries.

Here in the towering columns of the oil refinery steel plays a vital part. The steel industry is supplying the material for this and many other new projects and is constantly developing new steels to meet the changing demands of modern industry, science and engineering.

● Issued by the BRITISH IRON AND STEEL FEDERATION, Steel House, Tothill Street, London, S.W.1

reduced volume of cotton the Commission will supply means that it will be unable to carry the same volume of stocks as before, and may have difficulty in meeting spinners' particular needs, especially for American-type cotton (in which the extent of contracting-out has risen to 61 per cent). This situation was envisaged by the Hopkins Committee, which recommended that the Commission should notify a spinner when it thought it might not be able to provide him with the same service as hitherto, and that the spinner should then be entitled to purchase a part or the whole of his requirements privately. The Commission will undoubtedly try to fulfil its duties to the maximum possible extent; its efficiency has improved this season under the spur of private competition, and this incentive will continue.

As a result of the divided vote, it now seems probable that in the 1954-55 season the dual purchasing system will continue, but with some radical modifications. Having accepted the Hopkins Committee's view that the provision of cover from public funds is intrinsically undesirable, the Government will be even more anxious to reopen the Liverpool market, on however limited a scale, because this seems to be the most practical way of providing private contracting-out spinners could then be carried wholly by Liverpool, and the Commission exist only as a merchanting body.

Gatt Prepares for September

PREPARATIONS are now under way for the next meeting of the contracting parties to the General Agreement on Tariffs and Trade that is due to open at Geneva next September. Among the main items on the agenda will be the question of the "assured life" of the tariff schedules representing the concessions hammered out in previous negotiations. The concessions contained in the original schedules entered into force in 1948, with an assured life until the end of 1950. This life was later extended for a second period of three years, until the end of 1953. At the eighth session in September the contracting parties will have to decide either to prolong the life of the schedules for a further fixed period or to allow the renegotiation procedure to operate as and when contracting parties wish to make changes in their lists of concessions.

Another important item on the agenda will concern the accession of Japan, whose application was discussed at the last session in October, 1952, and again at a meeting of the Intersessional Committee in February of this year. In these preliminary discussions a host of memories of former bad commercial practices by Japan—including disregard of patents, trade marks and copyrights and the use of false marks of origin—have been revived. On all these matters, as well as on the question of dumping, the most earnest reassurances have been given by the Japanese government, and it is generally expected that Japan's chances of joining will be considerably advanced at the next meeting. Japan's admission will bring into focus the question of the next round of tariff negotiations. Japan is so important a trading nation that the adjustments in schedules that will be called for in its negotiations with other members could, best be

secured if those negotiations took place as part of the general round of tariff negotiations.

The possibility of holding another series of multilateral tariff negotiations may, however, be limited by the decision of the United States government to renew the Reciprocal Trade Agreements Act for one year only and to review the whole basis of its foreign economic policy. There is little doubt that, whatever else may be indicated by the agenda of the next Gatt meeting, it is the enigma of future tariff policy of the United States that will dominate the scene. The deliberations of the contracting parties will be greatly helped and enlightened by a report on "International Trade, 1952," published this week in Geneva. This is the work of the Secretariat. It reviews the main developments in international trade in the postwar period and points out, among many other facts, that in 1945-1952 United States assistance to other countries, amounted to about \$35 billion exclusive of military aid, and this represented roughly one-tenth of the total value of international trade during that period. Here is a measure of the miracles of adjustment that must be made by the non-dollar world to the tapering off and early extinction of all such aid.

Bricks and Cement

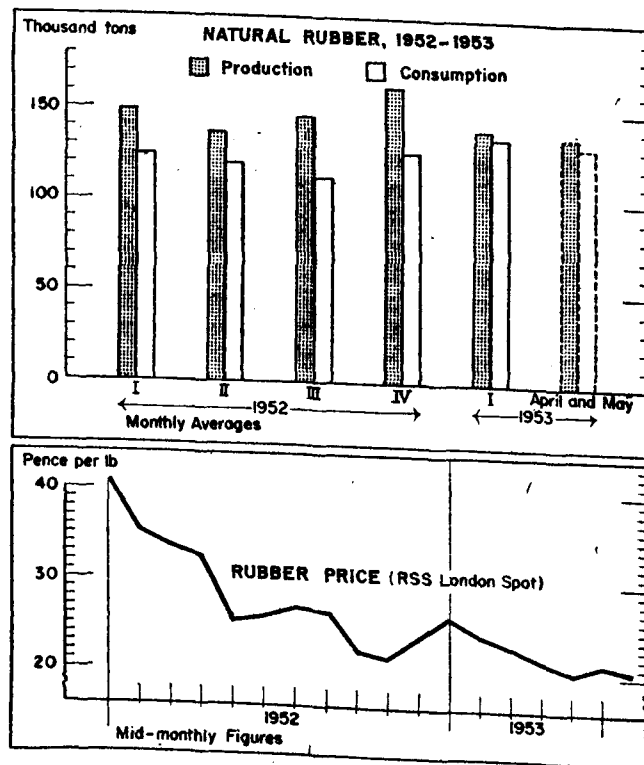
THE amount of building work in progress appears to be rapidly outstripping the rate at which the two key construction materials, bricks and cement, can be made available. At the end of May, there were more than 300,000 houses under construction, a further 100,000 had been approved but not started, and new industrial building licences to the value of nearly £130 millions had been issued during the first five months of the year. At the moment new houses are being started at a faster rate than they are being completed—nearly 31,000 were begun in May and only 26,000 finished—and the number of houses under construction has already increased by about 22,000 since the beginning of the year. The rate at which licences are being issued for industrial building represents about £312 million worth for the full year, compared with £216 million worth for the whole of 1952.

At the beginning of the year, it was estimated that there would be enough bricks and cement available, including imports, to allow for a probable 300,000 houses; but some doubts were expressed, even then, on whether there would be enough to meet the whole amount of new industrial building that might be licensed. At that time, it was thought that the government might issue industrial licences to the value of about £224 million in 1953; as it turns out, the present rate at which they are being granted is almost 40 per cent higher than that. Industrial building makes heavy demands on cement; nearly a ton is needed to every £100 worth of work. It is not surprising therefore that the chairman of Tunnel Portland Cement said recently that demand for cement was exceeding estimates. Cement production is running slightly above last year's figures—at 4.5 million tons for the first five months compared with 4.3 million in the equivalent period of 1952—but an additional 136,000 tons have been imported to keep up home deliveries. Export deliveries have also been cut by about 140,000 tons, in order to meet this booming home demand. Nearly three-quarters of Britain's bricks go to housing.

Production has been at or approaching 600 million a month for most of this year and the industry had felt confident that this would be enough to serve the bigger housing programme. But some bricks go into industrial building, and many into miscellaneous work that needs no licences. The fact that stocks were down in May to 90 millions—a level that means in practice that there were no bricks available for supplies from stocks at all—suggests that here, too, there may have been a miscalculation. The supply of bricks and cement is limited by the amount of plant and labour available, and it cannot be altered quickly in response to changes in demand. The productive capacity available in any given year therefore sets a limit to the amount of building that can be done in that year. If the present rate of building continues for many more months, Britain may find that it has bumped against that limit far too sharply for comfort.

Some Surplus Rubber?

PRESENT indications are that neither the American forecast of no surplus of natural rubber this year, nor the International Rubber Study Group's gloomy estimate of a surplus of 193,000 tons, will be realised. The debate that raged around these two differing forecasts at Copenhagen in May can now be judged in the light of the Study Group's own published estimates of the trade in rubber during the first five months of 1953. World production of natural



rubber in this period is estimated at 692,500 tons (or 35,000 tons less than a year ago) and world consumption at 667,500 tons (or 47,500 tons more than a year ago, with American consumption alone up by nearly 50,000 tons). This left an apparent surplus of only 25,000 tons, or one-quarter of the surplus in the same period of 1952. The surplus in May itself, however, was no less than 12,500 tons; if, as seems

likely, the surplus in June was around the same level, the apparent surplus for the first half of 1953 well may have been about 40,000 tons. In fact, the actual surplus was probably considerably higher. In the absence of more reliable information, the Study Group has always had to assume that smallholders' production in Indonesia is equal to the reported exports. In the last few months at any rate, because of the ban on consignment shipments to Malaya, this assumption is unlikely to have been correct; it is probable that some 35,000 tons were produced by smallholders but not exported during this period. The actual world surplus in the first half of this year was therefore probably nearer 75,000 tons than 40,000 tons. The surplus in the second half of 1953 is a subject for anybody's guess; but it still seems likely that the Study Group's original estimate of 193,000 tons for the whole year will prove too pessimistic.

The Study Group also estimates that in the first five months of 1953, world stocks of natural rubber (other than natural strategic stockpiles) actually declined by 17,500 tons, despite the estimated surplus of 25,000 tons in this period. Given a considerable margin of error in the reported figures of stocks, the implication of a "missing" 42,500 tons is not badly out of line with reports of the amounts that have gone into national stockpiles. In the United States, it seems that between January and April (the latest month for which figures are available), some 20,000 tons was absorbed by the strategic stock, and in Britain, some 7,000 tons.

The major cloud over the market, however, is that the end of America's strategic purchases cannot be far away, and the outlook for natural rubber is becoming increasingly dependent on the rate of civil consumption in the United States. Despite the recent heartening rise in total consumption of rubber in the United States in recent months, it must be remembered that America has been using nearly twice as much synthetic as natural rubber in the last two years; in the first five months of 1953 its consumption of synthetic again rose by 26,600 tons to over 369,000 tons and its production of synthetic by 17,000 tons to over 386,000 tons. Since May, the price of natural rubber has dropped by another 1½d. per lb. to 19½d. It will be interesting to see whether the June figures of American consumption bear out the view the Americans expressed at that time: that even a slight decline in relative prices should lead to a substantial increase in their usage of natural rubber.

Valuing Houses at the Pithead

THE long wrangle about the compensation that should be paid to the former colliery owners for the 140,000 houses that they owned and let to their miners has at last been brought to an end. Both the National Coal Board (which will own the houses) and the Mining Association of Great Britain (which represents the former colliery owners) are bound to accept the new arbitration award from the independent tribunal headed by Sir Malcom Eve. Neither of the two contestants has gained the day. The tribunal has rejected the low prices originally offered for these houses by the National Coal Board on a formula based on actual rentals. But it has also rejected the Mining Association's

plea that the value of these houses should be calculated on the basis of current replacement costs. Instead the tribunal has adopted a compromise formula under which the value of the houses—and hence of the compensation that the Coal Board will ultimately pay to the colliery companies—should be calculated on the basis of the net rent that a colliery would be likely to pay on a lease for a number of years "in order to use the house properties in association with the colliery." The formula, which takes account of the age and size of each house, is a complicated one; it appears, unfortunately, to impose some relative penalty on those collieries that kept their houses in a good state of repair.

Although some of the former coal-owners will be disappointed with these terms, the new award will hasten the day when the Coal Board pays compensation on these assets to the colliery companies—and when, in turn, these companies can make further capital distributions to their shareholders. It should also prepare the way for more compromise settlements about the value of other ancillary assets formerly owned by the colliery companies. The dragging and protracted story of compensation for nationalisation of coal has thus taken a significant step forward towards solution. The market welcomed it by marking up many of the colliery shares.

Tin Below £600

THIS week tin joined the general company of commodities which are now at prices below their pre-Korean levels. Having lost about £250 in the last three months, tin last Monday broke through the £600 per ton level at which it stood in June, 1950, and on Thursday closed officially at £582 10s. per ton. The present price is a little over one third of its peak, when "scare" buying sent tin to a fantastic £1,615 per ton. The recent weakness is due to several factors: a falling market encourages buyers to hold off; the prospects of a truce in Korea affects sentiment, particularly in this Eastern metal; demand from the United States, the largest consumer, is small; the rate of strategic buying, which has so far absorbed the surplus of tin, is diminishing; and consumers' stocks in many countries are very low. This last factor could quickly reverse the present tendency in prices if and when buyers decided that the market had reached bottom.

Five Per Cent for Cotton Workers

EMPLOYERS and unions in the spinning and weaving sections of the cotton industry have sensibly compromised on a wage increase of 5 per cent all-round. The unions had claimed 10 per cent on behalf of the 280,000 workers concerned; their weekly wage will now go up by an average of six shillings. The last increase, also of five per cent, was made in September, 1951, and together with the 10 per cent granted the previous January, effectively raised wages by slightly more than 15 per cent for the whole

year. The subsequent setback in textiles put paid to any further increases in 1952. A claim for 10 per cent was rejected by the employers last November, and by the Industrial Disputes Tribunal in January.

The unions' case was based on a rise of two points in the cost of living index since January, on the need to encourage the flow of labour back to the mills, and on the "profitability" of the industry. Lancashire is undoubtedly in better shape now than it was a year ago; its recovery has been quicker than was expected. But the export markets are still extremely difficult, and it will not be easy to pass on to export prices a wage increase costing the industry over £4 million a year. It should be easier to recoup the increase from sales in the home market, which is also Lancashire's largest outlet. The effects of the increase on activity and employment will not be measurable for several months.

American Aircraft for Lufthansa?

WHEN the German airlines come back into being, it seems highly probable that the first aircraft to go into service with them will be American-built and piston-engined. This will be a blow to the pride, but not necessarily to the pocket, of the British aircraft industry. The Germans may feel that it would be better to begin services with the kind of aircraft with which they are most familiar, rather than plunge straight into a radically new type of power-plant involving special operating techniques. They have not yet placed orders, but they have obtained written undertakings from two American manufacturers, Lockheed and Consolidated Vultee, that they could deliver aircraft in time for the newly formed Lufthansa to start services with them. The numbers involved are much smaller than those that the Germans originally intended to buy; probably half-a-dozen Super-Constellations will be bought for long-distance work and the same number of Convair 340s for medium ranges. This would leave Lufthansa free to build up its fleet with more modern gas-turbine aircraft once the difficult stage of re-establishing services had been passed.

The Super-Constellation, with the Douglas DC-6, is the last and the finest of the great piston-engined airliners; it is an essentially modern aircraft that is only just coming into service. By starting long range services with these aircraft, probably in 1955, the Lufthansa would be as well equipped as the majority of its competitors; and since the only immediate alternative is the Comet, the decision to use Super-Constellations is probably an irrevocable and possibly a wise one. But the Germans may be less settled in their reported decision to base their medium run services on the Convair 340, an aircraft that has been in service for some years; they may yet decide to operate these services with the Vickers Viscount instead. The Viscount, as a turbo-prop aircraft, does not call for the same precise schedules as the pure-jet Comet, and its costs compare favourably with those of the Convair. A deciding factor may be the ability of the British companies to offer the same credit terms as the Americans; the numbers of civil aircraft on the American industry's order books have been running down rapidly and manufacturers are likely to offer particularly favourable terms. Since airlines do not like changing their suppliers because of the difficulties that it creates over spare parts

and servicing, the familiar and vexed problem of long-term credits for British exports seems to be raising its head in a field where the *prima facie* case appears better founded than in many others.

Spate of New Issues

THE queue of applicants for new money during this summer holiday season is bigger and has appeared more suddenly than the capital market had expected. The steady accumulation of liquid balances in British industry (associated with the decline in stocks) had led most investors to believe that applications for new money would have been at least deferred until later in the year. In fact, however, there has been a sudden spate of moderately attractive mixed ordinary-cum-debenture issues, most of them by companies associated with the capital goods industries in this country or by those interested in developments in the Commonwealth.

Heading the list comes English Electric, whose decision to raise £2,500,000 on a 4½ per cent debenture stock (1972-77) at 97½ and whose rights issue of 1,769,365 new £1 ordinary shares at 48s. 6d. were discussed in these columns last week. The lists for the debenture stock were promptly closed on Thursday when a heavy over-subscription was announced. Also within the orbit of the capital goods industry in this country are the offers by Marley Tile (one of the leading companies manufacturing concrete roof tiles) of £750,000 of 5 per cent debenture stock (1959-77) at 99, and by Berry Wiggins and Company, the petroleum refining and bitumen making concern of 1,500,000 new 5s. ordinary shares at 5s. 6d. each; on the basis of a dividend of 10 per cent these shares would yield a little more than 9 per cent on their issue price.

Two other major new issues are to be made by companies closely concerned with the development of Commonwealth resources. Wankie Colliery (now domiciled in Rhodesia) is to raise about £4,500,000 by an issue of shares and debentures; the actual details of the offer have not yet been announced, but the new money will be used to provide further equipment for the company's two collieries, for the establishment of a third one, and for extensions to coking and other by-product plants. A similar combined offer of equities and debentures is to be made by Taylor Woodrow, the well-known civil engineering company that has many interests overseas. This offer, which comprises a £500,000 issue of a 5½ per cent debenture stock (1960-68) at par coupled with an issue of ten new 5s. ordinary shares at 7s. 6d. each for every £100 of the loan stock taken up, is the first to be sponsored by the recently formed Locana Corporation. This corporation, founded under the auspices of Hambros Bank, Harrisons and Crosfield and a number of investment trusts, was formed with the object of helping British companies to establish themselves in Canada. It is in Canada that the bulk of the new money to be raised by Taylor Woodrow will be used. Since Taylor Woodrow's existing ordinary shares are currently quoted at around 14s. 6d., the option for subscribers to the new loan stock to subscribe for the company's equity shares at 7s. 6d. each seems to be a carefully calculated and attractive bait.

Two Warnings from Selection Trust

TWO very plain warnings were issued at last week's annual general meeting of Selection Trust Ltd., which controls the Roan Antelope and Mufilira copper companies through Rhodesia Selection Trust and which has other considerable investments in the diamond, gold and oil industries. The chairman, Mr Chester Beatty, addressed his first warning directly to the company's shareholders. Without mincing any words Mr Beatty told them that they can expect lower dividends in the near future, as the dividends that Selection Trust itself will receive from its investments are almost sure to drop after the recent fall in metal prices. The group is, however, taking the opportunity to extend its exploration programme, particularly in Canada and Southern Rhodesia; concessions can now often be obtained on more favourable terms than may be possible in the future.

Mr Beatty's second warning was directed at the British Treasury. He believes that very few of the mineral deposits that Selection Trust has helped to develop in the past would be worth equipping today by a company resident in this country, because at the present rate of British taxation "the net return from such a company would not justify the expenditure involved." It is therefore the practice of Selection Trust, when sponsoring new companies for the development of a new mining venture, to have its subsidiary companies registered and domiciled abroad. Broadening his argument, Mr Beatty added that he thought that

it will only be a matter of comparatively short time before only very few of the world's minerals are controlled from the United Kingdom, unless quite substantial relief from taxation is given by the Chancellor of the Exchequer in respect of overseas mining business administered from this country.

The migration of mining companies from this country has already proved Mr Beatty's point, and it should not be dismissed by the Treasury merely as a piece of familiar and special pleading by one of the interests involved.

Greeting the Stockholder

FAR too often stockholders in British industry are the odd men out. Any reform, however small, that identifies the stockholder more closely with his company is therefore to be welcomed without reservation. Just such a reform has been initiated by Unilever Ltd, which, in forging those intangible links between the board-room, the workshop and the stockholders' meeting, has already to its credit a series of informative and unusually well-presented accounts. Adopting a practice that is very common in the United States, but that is almost unknown in this country, the directors of Unilever have decided to send a letter of welcome to every new stockholder. In this unpretentious letter, stockholders are told something about the financial and industrial organisation of the Unilever group, about the products it sells, about the date of dividend payments and how to secure the receipt of these payments through a banking



In the Seaports of the East...

from the Arabian Sea to the Pacific Ocean the branches of the Chartered Bank perform a wide range of banking services connected with overseas trade and local industry. Merchants and manufacturers in the United Kingdom who trade into the East are invited to consult the Bank's managers in London, Manchester and Liverpool.

THE CHARTERED BANK OF INDIA, AUSTRALIA & 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 St., Manchester, 2.
Liverpool Branch : 28 Derby House, Liverpool, 2.
New York Agency : 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £2,000,000)

is associated with

The British Metal Corporation (Pakistan) Ltd.,
Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya),
and C. Tennant Sons & Co., of New York, as well as with
the associates of The British Metal Corporation Ltd., London,
Australia, Canada, India, South Africa and Central Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products

throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3

TELEGRAMS: Nonfermet Telex London
CABLES: Nonfermet London
TELEPHONE: Mansion House 4521 (10 lines)
Branches at BIRMINGHAM, MANCHESTER and GLASGOW



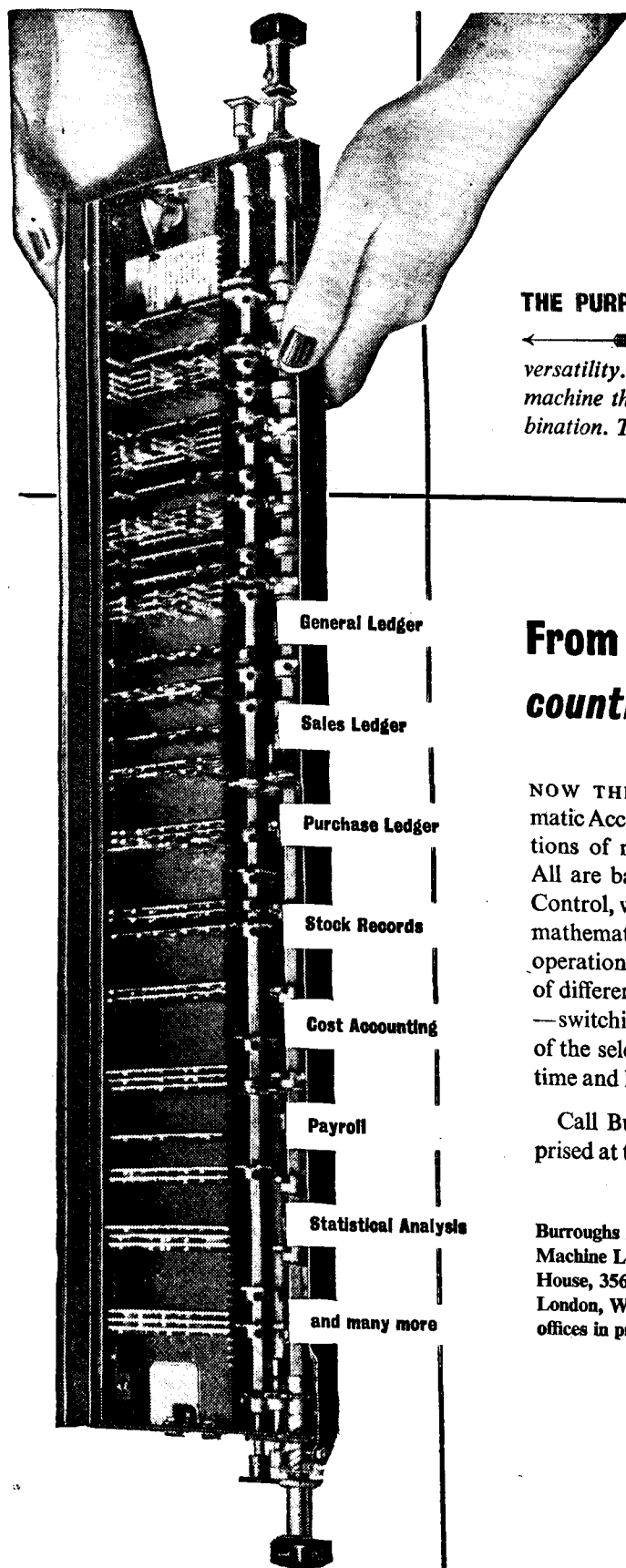
GLYN, MILLS & CO.

BANKERS
ARMY and ROYAL AIR FORCE AGENTS
Established 1753

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 30th JUNE, 1953.

LIABILITIES	
Capital ...	£1,060,000
Reserve Fund ...	1,060,000
Current, Deposit and Other Accounts ...	62,362,930
Liability for Acceptances, Engagements, etc.	5,698,014
	£70,180,944
ASSETS	
Cash in hand and Balance at Bank of England	5,286,810
Balances with, and Cheques in course of collection on, other Banks in the British Isles ...	3,993,435
Money at Call and Short Notice ...	10,809,000
Bills discounted ...	3,709,847
Investments:	
British Govt. Securities ...	£19,619,820
Other Securities ...	245,161
	19,864,981
Advances to Customers and other Accounts	20,123,857
Bank Premises:	
Freehold ...	£620,000
Leasehold ...	75,000
	695,000
Liabilities of Customers for Acceptances, Engagements, etc. ...	5,698,014
	£70,180,944

HEAD OFFICE : 67, Lombard Street, London, E.C.3.
CHILD'S BRANCH : 1, Fleet Street, London, E.C.4.
HOLT'S BRANCH : Kirkland House, Whitehall, S.W.1.
Associated Banks :
Royal Bank of Scotland : Williams Deacon's Bank Limited



THE PURPOSE AND RESULT OF SENSIMATIC CONTROL

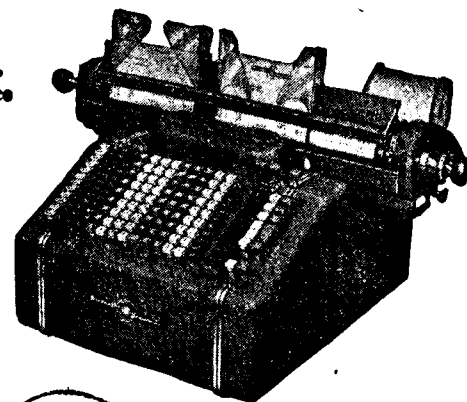
Here's the secret of the Sensimatic's astonishing versatility. Each panel (or sense-plate) like this guides the machine through any four different accounting jobs in any combination. There is no limit to the number of panels you can use.

From one accounting machine — countless applications

NOW THERE ARE FIVE VERSIONS of the Burroughs Sensimatic Accounting Machine, giving you the registers or combinations of registers you need for the jobs you have on hand. All are based on the completely new principle of Sensimatic Control, which directs the machine automatically through every mathematical function and carriage movement during a posting operation. Just as there is no practical limit to the number of different accounting applications the Sensimatic will handle—switching instantaneously from one to another at a turn of the selector knob—so there is no limit to the economies in time and labour which its use will effect in your office.

Call Burroughs about the Sensimatic today. You'll be surprised at the low cost of this multi-purpose accounting machine.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service offices in principal cities.



Burroughs  **Sensimatic**

account. Letters such as these cannot perhaps do much to remedy the atrophy of savings and risk capital in this country, or to re-establish the vital principle that the stockholder should not occupy a subordinate place in the hierarchy of directors, managers, workers and stockholders. But they can do something, and there should be many more of them.

SHORTER NOTES

Traffic on the cross-channel car ferry operated by Silver City Airways has expanded to a point where the company is contemplating building its own airfield in the Romney Marsh area. In the five years during which the ferry has been in existence, the number of vehicles carried has risen from 170 in the first year to 11,000 in 1952; in the first six months of this year, more than 10,000 have been flown across and at least that number will be ferried in the single month of July.

In their report on Hudson Bay Marine Insurance Rates for 1953 the Commonwealth Shipping Committee state that a record number of 27 ships sailed from Port Churchill in 1952, compared with 21 ships in 1951. Various improvements to aids to navigation are outlined in the report, and as a result the insurance market has amended the

additional premiums for the Hudson Bay on vessels fitted with gyro compasses from 7s. 6d. to 6s. 8d. per cent.

Retail sales rose sharply from 118 in April (1950=100) to 126 in May. This is ten points higher than a year ago, and if food sales are excluded the difference is even more striking. Sales of goods other than food by the big retailers rose from 103 to 120 between April and May, and those of the independent, smaller shops from 96 to 112. Much of the increase took place in household goods, sales of which rose 20 per cent, no doubt as a result of the budget reductions in purchase tax.

The sale of the ordinary shares in Prices Trust—whose affairs (and existing excess of property values over balance sheet values) were discussed in these columns a week ago—was given a fresh twist this week. The Anglo-Federal Banking Corporation made an unconditional offer last Monday of 31s. a share for 51 per cent of the ordinary capital of Prices Trust. This price is 1s. more than the offer that was made by United Drapery Stores and that was accepted by Sir Harry Price for his one third interest in Prices Trust's ordinary capital; it follows a conditional bid at the same price made on July 2nd—that is before the offer by United Drapery Stores was made public—for 75 per cent of the ordinary capital.

Company Notes

ENGLISH SEWING COTTON.

The decision by the directors of English Sewing Cotton to maintain the ordinary dividend at 12½ per cent is obviously a reflection of their confidence in the future rather than of their satisfaction with the trading results in 1952. For last year, as was reported in these columns on June 20th, trading profits collapsed from £1,370,438 to £40,611. In his statement accompanying the full accounts, the chairman, Mr Leslie Shaw, amply demonstrates that this pitifully small level of profitability is not a fair guide to current prospects. As with almost all the other textile companies either side of the Pennines, English Sewing Cotton had to withstand a sharp fall in prices and a loss in sales in the first months of 1952—and then began to enjoy a notable revival in trade in the months that followed. This recovery could not be expected to go far enough in 1952 to wipe the black marks out of the accounts—especially as higher unit costs were inevitably associated with the decline in output. But at the moment, although a few of the company's departments are still under-employed, Mr Shaw reports that the mills are running "at a fairly high level of activity."

Mr Shaw's confidence in the future is based on the change in working capital commitments as well as upon the present course of trade. He explains in some detail that in the first half of 1952 the company kept its mills running at a high

level of activity and continued to build up its stocks of finished goods. When trade improved about halfway through the financial year, however, the company did not immediately step up production but began to sell off its accumulated stocks; by the end of 1952, therefore, the volume of stocks was about the same as had been held at the end of 1951. The fall in the book value of stocks (from £4,221,590

	Years to Dec. 31,	
	1951	1952
Consolidated earnings:		
Trading profit*	1,370,438	40,611
Total income	1,686,585	279,390
Depreciation	179,960	170,187
Taxation	749,582	76,948
Net profit	724,476	76,948
Ordinary dividends (per cent)	131,250	145,000
Retained by subsidiaries	12½	12½
Stock reserve	54,385	21,657
General reserve	500,000	250,000
Added to carry forward	Dr 6,391	Dr 94,143

	1951	1952
Consolidated balance sheet:		
Fixed assets, less depreciation	1,909,018	2,208,706
Net current assets	3,453,593	3,217,641
Stocks	4,221,590	3,611,709
Cash	483,354	598,187
Reserves	3,617,817	3,641,722
Ordinary capital	2,000,000	2,000,000

* After providing for a fall in stock values (1951: £132,109; 1952: £564,215). (a) The same sum of £250,000 was written back from stock reserves.

to £3,611,709) was therefore due almost entirely to the decline in prices. Since the beginning of 1953 the company has

been reducing its stocks of finished goods at "a fairly rapid rate" and it has also reduced its stocks of raw materials. The reinforcement of the company's liquid resources that will have followed this reduction in inventories, together with the higher level of current profits, suggests that a dividend of 12½ per cent may be paid again this year—and with much greater comfort.

AMALGAMATED METAL.

Together with most other dealers in non-ferrous metals, rubber and other commodities, Amalgamated Metal had to suffer some hard blows last year. But these blows were not quite as severe as a first reading of the company's full accounts, which show trading profits to have slumped from £1,919,439 to £892,049, might suggest—for earnings in 1951 were unduly swollen by certain exceptional receipts and profits. Indeed the most dismal feature of the latest profit and loss account is not the decline in profits but the fact that taxation (at £715,596, including £86,000 for EPL) is only £350,000 lower than the year before, and thus absorbs an even higher proportion of gross profits than in 1951. Net profits have slumped even more alarmingly than gross earnings, from £1,008,867 to £330,111. But the directors, who were not led astray by the exceptional profits in 1951 and who have the comfortable assurance that EPL will not disfigure the accounts for long, have been able to maintain the ordinary dividend at 8 per cent without any real difficulty.

The balance sheet provides a further

justification for this maintained dividend. The value of the group's stocks has fallen from £2,918,910 to £1,920,297, and this has been followed by the customary reinforcement of liquid balances. Last year the group reduced its bank overdraft from £1,610,924 to £1,066,980, increased its

	Years to Dec. 31, 1951	1952
Consolidated earnings:—		
Trading profit.....	1,919,439	892,049
Total income.....	2,153,324	1,111,829
Taxation.....	1,066,343	715,596
Net profit.....	1,088,867	330,111
Ordinary dividends.....	186,303	195,175
General reserve.....	45,000	8
Added to group carry forward.....	736,806	35,029
Consolidated balance sheet:—		
Fixed assets, less depreciation.....	253,948	444,347
Investments.....	1,363,740	1,208,700
Net current assets.....	4,769,468	4,720,686
Stocks.....	2,918,910	1,920,297
Cash.....	1,082,147	1,268,380
Bank overdraft.....	1,610,924	1,066,980
Reserves.....	1,869,100	1,927,170
Ordinary capital.....	4,435,792	4,435,792

balances from £1,082,147 to 80, and increased its holdings of five certificates from £63,025 to £100,000. There are still plenty of shares at a price of copper when free to begin in this metal in August. In the short term consideration that the company has associated itself with the new companies formed to promote and exploit development projects in Canada and Newfoundland. The £1 ordinary stock units currently stand at par, to yield 8 per cent.

PINCHIN JOHNSON. Shareholders in Pinchin Johnson, the paint

manufacturers, have not been as fortunate as those in Amalgamated Metal and English Sewing Cotton. Their ordinary dividend has been cut from 25 to 20 per cent. As had been expected, in view of the worldwide trading recession, the company's preliminary report shows that both gross trading profits and net profits have fallen—from £1,958,819 to £1,476,076 and from £520,893 to £422,496 respectively. These declines, however, are not as violent as those reported by many other companies that have been willing to maintain their dividend payments; in advance of the publication of the full accounts, it must therefore be assumed that neither towards the end of Pinchin Johnson's financial year (on March 31st last) nor since then have there been any very hopeful signs of recovery in the paint trade. But last year's issue of an unsecured loan stock and the more recent acquisition of the Fishburn Printing Ink Company show that the group, come

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	1,958,819	1,476,076
Total income.....	2,027,164	1,546,807
Depreciation.....	196,066	195,924
Taxation.....	1,076,178	718,159
Net profit.....	520,893	422,496
Ordinary dividends.....	345,161	284,347
Ordinary dividends (per cent).....	25	20
Retained by subsidiaries.....	103,962	71,777
Contingencies and stock reserves.....	200,000	...
Added to carry forward.....	Dr 151,593	37,009

10s. ordinary stock at 30s. xd. yields £6 13s. per cent. wind or rough weather, is not afraid of adding to its interests either in this country or overseas. In itself this is a sign of long term confidence, but it does not make up for the short term gloom spread by the dividend reduction.

LONDON STOCK EXCHANGE

Next Settlement Day: July 21st.
Next account begins: August 5th.
Next Contango Day: August 5th.

BUSINESS was again at a low ebb this week and prices tended to drift slightly lower as the old account drew towards its end. A little ground, however, was gained in most markets at the beginning of the new three weeks' account. In the gilt-edged market prices were again marked up slightly before the weekend; but, as the market faltered on Wednesday, the net gains in prices in the week to Wednesday's close were very small indeed. Old Consols and Daltons, for example, made gains of only 1/4 to the common price of 60 1/4, while many of the other stocks showed no net changes at all on the week's trading. In the foreign market Greek bonds received some support but the advance was checked when profits were taken on the first day of the new account. German and Japanese bonds—as is customary—were marked down at the end of the old account; next day, however, German issues were again in demand on the news that the debt settlement had been ratified in the United States. Some speculative support was also given to Hungarian issues.

In the industrial market interest tended to be concentrated upon the lesser known issues, rather than upon "blue-chips." Textile and tobacco shares received some support but the rally in prices received a sharp check on the last day of the old account. Colliery shares were marked up after the news of the valuation award on colliery houses. At the beginning of the new account a much brighter tone prevailed in the market, although the volume of business remained small. Oil shares were also particularly firm at the opening of the new account. Kaffirs were dull at the end of the old account; but then took a decided turn for the better when the new account opened, following the cheerful quarterly report of the Union Corporation and the news of Daggafontein's uranium profits. Copper shares were weak at first after the warnings from the chairman of Selection Trust, and tin shares were marked down in line with the sharp fall in the price of the metal.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.	Fixed Int.†	2 1/2% Cons.	Ord.
July 8...	119.9	108.48	4.12	5.87
" 9...	120.2	108.51	4.12	5.81
" 10...	120.3	108.51	4.12	5.81
" 11...	120.3	108.52	4.12	5.81
" 12...	119.9	108.51	4.12	5.81
" 13...	119.6	108.52	4.12	5.84
1953, High	125.0	108.76		
" Low	113.9	105.86		
(May 20)				
1952, High	121.5	106.66		
" Low	103.1	100.67		
(June 24)				
Total bargains	July 8	6,802		
" 9	6,933			
" 10	6,606			
" 11	8,161			
" 12	6,966			
" 13	6,529			

* July 1, 1925=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to July 15	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 8, 1953	Price, July 15, 1953	Net Yield, July 15, 1953 %	Gross Yield, July 15, 1953 %	Prices, 1953 Jan. 1 to July 15	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 8, 1953	Price, July 15, 1953	Yield, July 15, 1953 %
High	Low					High	Low				
100	99 1/2	War Bonds 2 1/2% '52-54...	99 1/2	99 1/2	10 1/4	39/10 1/2	32/3	10 1/2	12 1/2	12 1/2	10 1/2
99 1/2	98 3/4	Exchequer 2 1/2% 1955...	99 1/2	99 1/2	10 1/2	14/3	10/10 1/2	11/9	11/9	11/6	8 1/2
101 1/2	99 1/2	Exchequer 3% 1960...	101 1/2	101 1/2	10 1/2	55/4 1/2	45/3	50/-	50/-	50/-	6 0
99 1/2	98 3/4	Serial Funding 1 1/2% 1953...	99 1/2	99 1/2	10 1/2	50/3	44/6	49/6	49/6	49/6	6 1 3
99 1/2	98 3/4	Serial Funding 1 1/2% 1954...	99 1/2	99 1/2	10 1/2						
100 1/2	99 1/2	Serial Funding 3% 1955...	100 1/2	100 1/2	10 1/2	29/6	21/4 1/2	27/6	27/6	27/6	7 5 5
100 1/2	98 3/4	War Bonds 2 1/2% '54-56...	99 1/2	99 1/2	10 1/2	27/3	21/4 1/2	26/9	26/9	26/9	5 19 8 1/2
100 1/2	99 1/2	Funding 2 1/2% '52-57...	100 1/2	100 1/2	10 1/2	48/1 1/2	41/4 1/2	42/6	42/6	42/6	5 17 8
101 1/2	99 1/2	Nat. Def. 3% '54-58...	101 1/2	101 1/2	10 1/2	42/7 1/2	37/3	40/-	41/9	41/9	5 7 9
99 1/2	98 3/4	War Loan 3% '55-59...	101 1/2	101 1/2	10 1/2	45/6	38/6	43/6	43/6	43/6	6 17 11 1/2
96 1/2	95 1/2	Savings Bonds 3% '55-65...	96 1/2	95 1/2	10 1/2	61/10 1/2	49/-	60/9	60/3xd	60/3xd	6 12 9
97 1/2	96 1/2	Funding 2 1/2% '56-61...	97 1/2	96 1/2	10 1/2	81/6	73/-	73/9	75/-	75/-	5 6 8
91	86 3/4	Funding 3% '59-69...	90 1/2	90 1/2	10 1/2	37/6	33/3	36/-	35/6	35/6	5 12 8
93 1/2	87 3/4	Funding 3% '66-68...	91 1/2	91 1/2	10 1/2	60/6	53/1 1/2	57/-	53/3xd	53/3xd	5 12 8
101 1/2	98 3/4	Funding 4% '69-90...	100 1/2	100 1/2	10 1/2	46/-	38/6	40/7 1/2	40/7 1/2	40/7 1/2	5 10 9 1/2
90 1/2	85 3/4	Savings Bonds 3% '60-70...	89 1/2	89 1/2	10 1/2	19/6	15/6	16/-	16/3	16/3	6 3 1m
89	84 3/4	Savings Bonds 2 1/2% '64-67...	88 1/2	88 1/2	10 1/2	17/2 1/2	5/8 1/2	6/9	6/7 1/2	6/7 1/2	7 17 0m
102 1/2	100 1/2	Victory 4% '20-76...	102 1/2	102 1/2	10 1/2	3 17 7 1/2	23/6	25/3	25/3	25/3	5 18 10
87 1/2	82 3/4	Savings Bonds 3% '65-75...	85 1/2	85 1/2	10 1/2	30/6	25/1 1/2	29/-	29/3	29/3	5 2 7m
92 1/2	86 3/4	Consols 4% aft. Feb. '57...	89 1/2	89 1/2	10 1/2	40/11 1/2	35/10 1/2	41/6xd	41/9	41/9	5 5 2
82 1/2	77 3/4	Conv. 3 1/2% aft. April '61...	81 1/2	81 1/2	10 1/2	36/6	25/1 1/2	80/-	80/-	80/-	6 5 0
61 1/2	57 3/4	Treas. 2 1/2% aft. April '75...	60 1/2	60 1/2	10 1/2	78/6	24/-	26/10 1/2	26/10 1/2	26/10 1/2	6 4 0m
72 1/2	67 3/4	Treas. 3% aft. April '66...	71 1/2	71 1/2	10 1/2	58/6	5/3 1/2	63/1 1/2	62/6	62/6	4 18 0
92 1/2	87 3/4	Treas. 3 1/2% '77-80...	90 1/2	90 1/2	10 1/2	21/4 1/2	19/-	20/-	20/-	20/-	5 0 0
90 1/2	85 3/4	Treas. 3 1/2% '79-81...	89 1/2	89 1/2	10 1/2	29/6	16/6 1/2	28/3	28/3	28/3	5 0 11
81 1/2	76 3/4	Redemption 3% '86-96...	80 1/2	80 1/2	10 1/2	37/6	33/3	36/-	35/6	35/6	4 18 7
82 1/2	77 3/4	War L'n 3 1/2% aft. Dec. '52...	81 1/2	81 1/2	10 1/2	46/3	44/3	56/9	56/8	56/8	4 8 6
62	58 1/2	Consols 2 1/2% '74-79...	60 1/2	60 1/2	10 1/2	56/-	44/3	59/9xd	55/-	55/-	5 0 0
88 1/2	83 3/4	Br. Elec. 3% '68-73...	87 1/2	87 1/2	10 1/2	6/9/9	5 1/2	30	6 1/2	6 1/2	5 8 9
86 1/2	82 3/4	Br. Elec. 3 1/2% '76-79...	85 1/2	85 1/2	10 1/2	40/11 1/2	35/10 1/2	46/10 1/2	46/10 1/2	46/10 1/2	6 8 0
101 1/2	99 1/2	Br. Elec. 4 1/2% '74-79...	101 1/2	101 1/2	10 1/2	52/3	49/3 1/2	31 1/2	31 1/2	31 1/2	4 16 2
101 1/2	99 1/2	Br. Elec. 4 1/2% '74-79...	101 1/2	101 1/2	10 1/2	87/6	75/7 1/2	86/3	86/10 1/2	86/10 1/2	6 5 7
92 1/2	88 3/4	Br. Trans. 3% '78-88...	90 1/2	90 1/2	10 1/2	29/1 1/2	23/-	25/-	25/-	25/-	6 1 3
82 1/2	76 3/4	Br. Trans. 3% '68-73...	80 1/2	80 1/2	10 1/2	44/1 1/2	34/7 1/2	36/-	36/-	36/-	8 17 9
88 1/2	83 3/4	Br. Trans. 3% '72-77...	87 1/2	87 1/2	10 1/2	62/3	52/9	60/-	59/-	59/-	6 15 7
99 1/2	95 1/2	Br. Gas 3% '90-95...	98 1/2	98 1/2	10 1/2	30/9	24/-	24/6	24/6	24/6	8 3 3 1/2
81 1/2	76 3/4	Br. Gas 3 1/2% '69-71...	80 1/2	80 1/2	10 1/2						
95 1/2	91 1/2	Br. Gas 3 1/2% '69-71...	94 1/2	94 1/2	10 1/2						

(a) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Assumed average life 13 years approximately.

Prices, 1952		Prices, 1953 Jan. 1 to July 15		TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 8, 1953	Price, July 15, 1953	Yield, July 15, 1953
High	Low	High	Low				
88 ¹ / ₂	81 ¹ / ₂	89 ¹ / ₂	84 ¹ / ₂	Aust. 3 ¹ / ₂ % '65-69....	87 ¹ / ₂ xd	87 ¹ / ₂	¹ / ₄ s. d.
92 ¹ / ₂	86	93 ¹ / ₂	91	N. Zealand 3 ¹ / ₂ % '62-65	93	93	4 7 2
98 ¹ / ₂	89	98	93	S. Africa 3 ¹ / ₂ % '54-59...	96	96	3 19 10
68	60 ¹ / ₂	69 ¹ / ₂	66	L.C.C. 3% aft. 1920....	69 ¹ / ₂	69 ¹ / ₂	4 5 4
91	84	93 ¹ / ₂	90	Liverpool 3% '54-64....	93	93	4 6 4
91 ¹ / ₂	85 ¹ / ₂	91	88 ¹ / ₂	P.L.A. 3 ¹ / ₂ % '66-71....	91	91	3 15 10
103 ¹ / ₂	97 ¹ / ₂	104 ¹ / ₂	101 ¹ / ₂	Agric. Mort. 5% '59-89	102	102	4 4 8
68 ¹ / ₂	61 ¹ / ₂	73	66 ¹ / ₂	Austria 4 ¹ / ₂ % '34-59 ..	72	72	4 12 3
13	5	21 ¹ / ₂	4	Chinese 5% 1913....	17 ¹ / ₂	18	9 ¹ / ₂
68 ¹ / ₂	43 ¹ / ₂	66	49	German 5%.....	54	53	Nil
85 ¹ / ₂	45	80	65	German 4 ¹ / ₂ %.....	68	67	...
145 ¹ / ₂	103	134 ¹ / ₂	119	Japan 5% 1907.....	124	123	...

Prices, 1953 Jan. 1 to July 15	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 8, 1953	Price, July 15, 1953	Yield, July 15, 1953 %
High	Low				
64/1 1/2	58/1 1/2	BANKS & DISCOUNT	63/-	63/-xd	4 8 11 1/2
53/6	46/3	Barclays "B" £1...	52/6	52/6xd	4 11 6
72/6	64/-	Lloyds "A" £5, £1 pd.	71/6	71/-xd	4 10 2
73/-	59/3	Midland £1, fully pd.	72/6	71/6xd	4 15 1
80/-	70/-	N. Prov. "B" £5, £1 pd.	79/6	78/6xd	4 11 9
75/3	67/6	Westminster £4, £1 pd.	75/-	74/6xd	4 14 0
39/-	35/6	Alexanders £2, £1 pd.	39/-	38/-xd	5 5 3
46/3	39/-	Union Disc. £1...	42/-	41/-xd	4 17 7
39/7 1/2	32/3	Barc. (D.C. & O.) "A" £1	33/6	33/6	4 15 6
49/-	39/3	Chart. Bk. of India £1	41/6	41/-	6 16 7 1/2
8 1/2	7 1/2	INSURANCE	8 1/2	8 1/2	3 19 5
21 1/2	17 1/2	Leg. & Gen. £1, 5/- pd.	20 1/2	20 1/2	5 6 5
38 1/2	32 1/2	Pearl £1, fully pd.	35 1/2	35 1/2	5 6 10
		Prudential "A" £1...			
		BREWRIES, ETC.			
131/6	115/-	Bass £1...	117/6	117/6	7 6 5
17/7 1/2	15/9 1/2	Distillers 4%...	16/3	16/6	5 9 1
31/1 1/2	27/-	Guinness 10%...	28/-	28/6	5 19 4
10/-	8/-	Ind. Co-op 5%...	8/3	8/6	7 1 2

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75 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) Yield basis 11 1/2%. (l) To latest date. (m) Yield basis 10%. (n) Dividend of 17 1/2% for 4 months; yield basis 10%. (o) Yield basis 8 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 12 1/2% after capital bonus. (t) Yield basis 19.7% gross. (u) Yield basis 39%.

New York Closing Prices

	July 8	July 15		July 8	July 15		July 8	July 15
	\$	\$		\$	\$		\$	\$
Balt. & Ohio.	25 1/2	24 1/2	Am. Smelting	32 1/2	31	Inter. Paper..	51 1/2	50 1/2
Can. Pac.	27 1/2	26 1/2	Am. Viscose	44 1/2	43	Nat. Distill..	18 1/2	18 1/2
N.Y. Cent.	25 1/2	24 1/2	Col. of Amer.	25	24	Sears Roebuck	59	58 1/2
Pennsylv.	22	21	Chrysler	72 1/2	70	Shell ..	71 1/2	71
Amer. Tel.	154	154 1/2	Gen. Elec.	73	72	Std. Oil of N.J.	72	72 1/2
Stand. Gas	18 1/2	18 1/2	Gen. Motor	60	58 1/2	U.S. Steel	38	38 1/2
United Corp.	5	4 1/2	Goodyear	50	49	Westinghouse.	44 1/2	43 1/2
W. Union Tel.	45	43 1/2	Inter. Nickel.	42 1/2	41 1/2	Woolworth ..	44 1/2	44 1/2
			* ex divided.					

Statistics

The statistical pages will appear weekly, monthly or quarterly as indicated.

BRITISH		OVERSEAS	
Prices and Wages	(M)	Western Europe :	
Production and Consumption	(M)	Production and Trade	(M)
Manpower	(M)	British Commonwealth	(M)
External Trade	(M)	Western Europe :	
Financial Statistics	(W)	Prices and Money Supply	(M)
Industrial Profits	(Q)	United States	(M)

Manpower in Great Britain

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	April	May	June	March	April	May	June
TOTAL MANPOWER (1)											
Working population :											
Total	'000s	22,954	23,228	23,294	23,306	23,300	23,294	23,254	23,309	23,318	...
Men	"	15,678	15,791	15,864	15,878	15,872	15,864	15,851	15,868	15,860	...
Women	"	7,276	7,437	7,430	7,428	7,428	7,430	7,403	7,441	7,458	...
Armed Forces.....											
Total	"	690	827	872	868	871	872	871	866	867	...
Civil employment :											
Total	"	21,993	22,214	22,119	22,105	22,114	22,119	22,027	22,110	22,160	...
Agriculture, forestry and fishing.....	"	1,161	1,139	1,112	1,088	1,103	1,112	1,057	1,072	1,087	...
Mining and quarrying	"	852	856	875	871	873	875	876	878	877	...
Building and contracting	"	1,434	1,449	1,435	1,411	1,420	1,435	1,426	1,436	1,440	...
Distributive trades	"	2,571	2,600	2,616	2,609	2,612	2,616	2,618	2,631	2,638	...
Public administration	"	1,362	1,350	1,336	1,337	1,338	1,336	1,324	1,324	1,322	...
Manufacturing industries	"	8,510	8,736	8,626	8,722	8,677	8,626	8,686	8,715	8,724	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950 :											
Employees in engineering(2).....	'000s	—	+ 103	+ 212	+ 232	+ 229	+ 212	+ 190	+ 191	...	...
" " consumer goods industries(3).....	"	—	+ 74	+ 126	+ 85	+ 109	+ 126	+ 34	+ 7	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	'000s	314.2	252.9	414.2	467.9	467.4	440.1	397.0	375.8	340.3	297.7
" " —men	"	220.1	161.5	227.8	242.6	235.1	223.1	251.1	239.4	214.3	193.6
" " —women	"	94.1	91.4	186.4	225.3	232.3	217.0	145.9	136.4	126.0	104.2
Temporary or under 2 weeks—men	"	59.2	49.8	87.8	104.5	106.6	102.4	80.3	74.2	66.9	60.0
" " —women	"	33.8	37.7	94.7	131.4	137.1	128.6	48.4	46.8	43.0	35.6
Over 8 weeks—men	"	105.3	73.2	85.9	87.3	84.4	76.3	114.1	111.5	102.2	90.7
" " —women	"	32.5	27.9	50.2	51.1	52.7	48.7	59.0	55.8	50.7	42.8
By industry (4):											
Textiles	%	0.6	0.8	8.6	14.4	15.6	15.3	1.8	1.5	1.4	1.2
Clothing	"	1.1	1.7	2.9	3.0	3.0	3.6	1.2	1.1	1.2	1.5
Vehicles	"	0.8	0.5	0.7	0.6	0.7	0.7	1.6	0.9	0.8	0.7
Engineering, etc.	"	1.5	1.0	1.4	1.3	1.3	1.4	1.6	1.5	1.5	1.4
Coal-mining	"	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Distributive trades	"	1.2	1.1	1.5	1.5	1.5	1.3	1.8	1.6	1.5	1.3
By regions (5):											
Great Britain	"	1.5	1.2	2.0	2.2	2.2	2.1	1.9	1.8	1.6	1.4
London and South Eastern	"	1.1	0.9	1.3	1.3	1.2	1.2	1.4	1.3	1.2	1.0
Eastern	"	1.2	0.9	1.3	1.5	1.4	1.1	1.6	1.5	1.5	0.9
Southern	"	1.4	1.1	1.4	1.4	1.4	1.2	1.6	1.4	1.4	1.1
South Western	"	1.4	1.2	1.5	1.5	1.4	1.2	1.9	1.8	1.6	1.3
Midland	"	0.5	0.4	0.9	0.9	1.0	1.0	1.6	1.3	1.2	1.0
North Midland	"	0.6	0.5	1.0	1.4	1.3	1.1	0.7	0.7	0.7	0.6
East and West Ridings	"	0.9	0.9	1.9	2.4	2.5	2.3	1.3	1.3	1.2	1.1
North Western	"	1.6	1.2	3.6	4.8	5.1	4.9	2.4	2.3	2.1	1.8
Northern	"	2.8	2.2	2.6	2.8	2.6	2.3	2.5	2.5	2.3	2.1
Wales	"	3.7	2.7	2.9	3.0	2.8	2.6	3.4	3.5	3.1	2.8
Scotland	"	3.0	2.5	3.3	3.3	3.1	3.2	3.4	3.3	3.0	2.7
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	347	313	230	321	304	305	263	279	281	...
Men	"	190	208	131	204	197	194	144	151	154	...
Women	"	157	105	99	117	107	111	119	128	127	...
DISPUTES (6)											
Workers involved											
Working days lost :	'000s	25	32	35	28	39	58	28	18	16	...
Total	"	116	141	149	77	173	203	249	75	32	...
Mining and quarrying	"	36	29	55	41	74	57	37	34	14	...
Engineering, etc.	"	24	43	66	18	31	113	202	32	8	...
Other industries and services	"	55	69	28	18	68	33	10	9	10	...

(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 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	150	122	103	143	143	140	103
1952	253	114	143	162	165	150	129	97	140	152	148	104
1953	243	109	138	158	162	151	129	97	137	153	142	106
January	242	108	137	156	162	150	129	96	136	152	141	108
February	236	108	137	157	161	153	130	97	136	152	141	107
March	231	106	136	156	...	...	130	96	134	152	140	...
April	234	...	135	156	...	...	...	...	...	152	140	...
May	...	...	...	...	...	...	...	...	...	...	...	...
COST OF LIVING⁽²⁾ (1948 = 100)												
1938	31	27	60	6	59	0.4	55	2	49	63	.61	29
1951	185	105	119	130	100	139	110	110	127	122	120	103
1952	217	106	123	145	102	146	119	114	127	133	129	109
1953	216	106	124	146	102	146	...	116	127	134	130	110
January	214	105	...	146	101	145	124	116	127	134	130	110
February	210	105	...	145	101	148	...	116	127	135	130	110
March	...	105	123	145	101	148	...	117	127	135	130	...
April	...	105	...	146	100	...	...	...	...	...	130	...
May	...	...	...	...	...	...	...	...	...	...	...	...
IMPORT PRICES⁽³⁾ (1948 = 100)												
1938	31	27	40	7	39	...	39	1	24	32	45	21
1951	241	120	133	187	127	...	128	112	131	127	145	91
1952	250	116	131	181	121	...	129	109	131	132	152	92
1953	250	113	121	166	111	...	126	104	115	124	143	96
January	260	113	...	...	111	...	124	106	116	128	...	96
February	235	114	...	...	110	...	124	103	120	134	...	87
March	240	...	...	...	107	...	...	104	...	119	...	84
April	...	...	...	...	...	...	...	...	...	...	...	...
May	...	...	...	...	...	...	...	...	...	...	...	...
EXPORT PRICES⁽⁴⁾ (1948 = 100)												
1938	31	25	40	6	51	...	37	1	25	32	42	24
1951	233	120	109	146	122	...	123	110	115	137	155	128
1952	263	120	115	157	131	...	126	107	117	136	153	122
1953	210	109	111	150	125	...	126	108	114	114	137	114
January	220	107	...	...	127	...	126	110	112	115	...	114
February	215	107	...	...	125	...	124	111	108	117	...	113
March	217	...	...	...	124	...	...	106	...	109	...	108
April	...	...	...	...	...	...	...	...	...	...	...	...
May	...	...	...	...	...	...	...	...	...	...	...	...
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	7.82	23.6	425	112	8.80	2,198	18.2	19	1,048	455	1,040	213
1951	8.79	99.1	1,741	1,883	10.22	2,476	64.3	1,237	3,039	2,530	4,140	1,179
1952	...	102.1	1,890	2,124	...	...	69.9	1,361	3,171	2,791	4,620	1,280

Financial Statistics

EXCHEQUER RETURNS

For the week ended July 11th there was an "above-line" deficit (after allowing for Sinking Funds) of £4,903,000, compared with a surplus of £6,110,000 in the previous four days and a deficit of £17,337,000 in the corresponding period last year, bringing the cumulative deficit to £155,213,000 (£213,074,000 in 1952-53). Net expenditure "below-line" absorbed £7,334,000 raising the total cumulative deficit to £280,836,000 (£392,138,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to July 12, 1952	April 1, 1953 to July 11, 1953	Week ended July 12, 1952	Week ended July 11, 1953
Ord. Revenue					
Income Tax	1782,250	306,629	278,512	20,952	25,185
Sur-tax	127,000	23,400	25,000	300	1,200
Death Duties	160,000	44,600	50,200	3,000	3,100
Stamp	52,000	15,050	14,900	1,200	900
Profits Tax & E.P.T.	214,000	82,700	50,800	6,200	3,700
Excess Profits Levy	99,500	...	14,450	...	1,600
Special Contribution and other	1,000	630	330	50	...
Inland Revenue					
Total Inland Rev.	2435,750	473,009	432,192	32,302	35,686
Customs	1044,300	291,196	296,978	17,868	21,951
Excise	680,480	184,132	185,275	5,940	3,835
Total Customs and Excise	1724,780	474,328	480,253	21,808	25,786
Motor Duties	69,000	7,847	9,149	839	968
P.T. (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	2,700	3,000	...	...
Sundry Loans	25,000	5,242	6,198	2,371	5,516
Miscell.	95,000	31,061	28,043	7	1,283
Total	4368,215	994,187	958,834	57,327	67,239
Ord. Expenditure					
Debt Interest	615,000	138,170	148,284	2,334	4,075
Payments to N.	...	...	...	...	...
Inland Exchequer	48,000	10,123	12,884	...	1,712
Other Cons. Fund.	10,000	3,581	3,673	...	...
Supply Services	586,286	1047,901	941,786	71,700	66,000
Total	4259,286	199,755	1106,626	74,034	71,788
Sinking Funds	...	7,507	7,422	630	354
'Above-line' Surplus or Deficit (£m.)		213,074	156,213	17,337	4,903
"Below-line" Net Expenditure		179,064	125,623	23,966	7,334
Total Surplus or Deficit (£m.)		392,138	280,836	41,302	12,237
Net Receipts (Lm) from:					
Tax Certificates	8,179	63,267	1,544	4,029	...
Savings Certificates	8,800	9,790	600	400	...
Defence Bonds	29,679	20,119	2,073	722	...

THE MONEY MARKET

CREDIT remained short in Lombard Street in the week covered by Wednesday's Bank return. On each day except Wednesday moderate official help was needed to save the discount market from recourse to the Bank. It was given readily—indirectly through purchases from the banks on each day from Thursday before the week-end to Monday, and then directly on Tuesday to individual houses that were especially short of funds. On Wednesday, the influence of the final call (of £314 million) on the BEA loan made credit short at first; but as these funds flowed back to the banks conditions eased later, and normal credit supplies proved just adequate for the first time in the week.

At last week's Treasury bill tender, the market restored its bid to £99 8s. 2d. for the £260 million of bills on offer; this drop of 2d. on the previous week's bid was to be expected in view of the difficult credit conditions that had ensued. At yesterday's tender, £250 million of bills were on offer; with a full allotment, the excess of new bills over maturities will rise to £20 million next week.

The Bank return shows an outflow of notes of £10.4 million. The Treasury special account rose by £5.8 million, but as holdings of Government securities in the banking department were up by fully £23.3 million, the influence of the week's special purchases are clearly discernible. With discounts and advances falling by £3 million, public accounts by £8.2 million and other items virtually unchanged, bankers' deposits rose by £12.2 million despite the note efflux.

London Money Rates

Bank rate (from 2 1/2% 11/3/52)	%	Discount rates	%
Bank bills: 60 days	3	3 months	3 1/2
Deposit rates (max)		4 months	3 1/2
Banks	2	6 months	3 1/2
Discount houses	2		
Money—Day-to-day	2-2 1/2	Fine trade bills:	
Short periods	2-2 1/2	3 months	4-5
Treasury bills 2 months	2 1/2	4 months	4-5
3 months	2 1/2	6 months	4-5

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills, the rate is 3 1/2 per cent.

BANK OF ENGLAND RETURNS

	1952	1953
	July 16	July 8
Issue Department:		
Notes in circulation	1,484.8	1,556.6
Notes in banking dept.	15.7	43.8
Govt. debt and securities	1,496.7	1,596.7
Other securities	0.7	0.7
Gold coin and bullion	2.9	2.9
Banking Department:		
Deposits:		
Public accounts	14.4	18.2
Treasury special account	15.6	32.6
Bankers	272.9	266.6
Others	64.7	66.7
Total	367.6	384.1
Securities:		
Government	324.2	327.4
Discounts and advances	25.3	15.0
Other	17.3	12.6
Total	366.8	355.0
Banking department reserve	17.0	48.2
"Proportion"	4.6	12.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,550 million to £1,500 million on June 3, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)	Average Rate of Allotment	Attested at Max. Rate
	Offered	Applied For	Allocated
1952			
July 11	240.0	315.2	240.0
1953			
Mar. 13	250.0	356.4	250.0
" 20	250.0	391.0	250.0
" 26	250.0	327.4	250.0
" 21	250.0	334.6	250.0
April 2	250.0	322.8	230.0
" 10	250.0	357.6	250.0
" 17	250.0	360.8	230.0
" 24	210.0	330.3	210.0
May 1	210.0	351.1	210.0
" 8	240.0	347.4	240.0
" 15	250.0	345.8	250.0
" 22	250.0	343.3	250.0
" 29	250.0	346.9	250.0
June 5	270.0	339.3	270.0
" 12	270.0	353.1	270.0
" 19	270.0	360.1	250.0
" 26	250.0	327.4	250.0
July 3	250.0	334.1	250.0
" 10	260.0	353.4	260.0

* On July 10th tenders for 91 day bills at £99 8s. 2d. secured about 63 per cent. of the sum applied for; high tenders were allotted in full. The offering yesterday was a maximum amount of £250 million.

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot	One Month Forward Rates
	July 15	July 9	July 10
United States \$	2.78-2.82	2.81-2.81	2.81-2.81
Canadian \$	2.79-2.79	2.79-2.79	2.79-2.79
French Fr.	972.65-987.35	982.8-982.8	982.8-982.8
Swiss Fr.	12.15-12.35	12.18-12.18	12.18-12.18
Belgian Fr.	138.95-141.05	139.87-139.92	139.90-139.95
Dutch Gld.	10.56-10.72	10.58-10.58	10.58-10.58
W. Ger. D-Mk.	11.67-11.81	11.69-11.70	11.69-11.70
Portuguese Esc.	79.90-81.10	79.90-80.00	79.90-80.00
Swedish Kr.	14.37-14.59	14.51-14.52	14.51-14.52
Danish Kr.	19.19-19.48	19.34-19.34	19.34-19.34
Norwegian Kr.	19.85-20.15	19.88-19.99	19.88-19.99
United States \$	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Canadian \$	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
French Fr.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Swiss Fr.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Belgian Fr.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Dutch Gld.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
W. Ger. D-Mk.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Portuguese Esc.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Swedish Kr.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Danish Kr.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.
Norwegian Kr.	1-1/2 p.m.	1-1/2 p.m.	1-1/2 p.m.

FLOATING DEBT

	Treasury Bills	Ways & Means Advances	Trea. Deposits by Banks	Total Floating Debt
Date	Tender	Tap	Public Depts.	
1952				
July 12	2,940.0	1,462.7	303.0	4,705.7
1953				
April 18	2,950.0	1,542.3	298.6	4,791.0
" 25	2,990.0	1,514.8	288.2	4,793.0
May 2	3,010.0	1,478.8	256.6	4,745.4
" 9	3,030.0	1,462.3	218.6	4,710.9
" 16	3,050.0	1,484.2	236.0	4,770.2
" 23	3,080.0	1,467.5	247.1	4,794.6
" 30	3,100.0	1,440.9	255.1	4,796.0
June 6	3,130.0	1,461.9	244.6	4,837.2
" 13	3,160.0	1,483.0	239.0	4,882.0
" 20	3,180.0	1,485.0	277.6	4,942.6
" 27	4,597.8	...	252.3	4,850.1
July 4	3,170	1,458.2	239.8	4,868.0
" 11	3,190	1,430.0	258.3	4,878.3

NOTICES

UNIVERSITY OF MALAYA, SINGAPORE

Applications are invited for appointment to the post of Research Secretary of the newly established Social Research Unit of the University.

The person appointed will be Secretary of the Social Research Committee and will be required to organise group research projects. He will have the status of Senior Lecturer or Lecturer.

Salary on scale £1,330 x £70 to £1,610 p.a., or £854 x £42 to £1,400 p.a. Status and point of entry according to qualifications and experience. Expatriation allowance for persons recruited from overseas £210 to £280 p.a., according to salary. Cost-of-living allowance £294 to £637 p.a., according to salary and personal circumstances. All paid in Malayan currency.

Free passages for appointee, wife and children under 12 years of age. Housing allowance.

Applications (six copies), with the names of three referees and full details of qualifications and experience, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date July 31, 1953.

UNIVERSITY OF MALAYA, SINGAPORE

Applications are invited for appointment to two Research Fellowships in the Social Research Unit of the University.

Salary on scale £854 x £42 to £1,400 p.a., or £735 p.a. (fixed) according to qualifications and experience. Expatriation allowance for persons recruited from overseas £210 to £252 p.a., according to salary. Cost-of-living allowance £294 to £637 p.a., according to salary and personal circumstances. All paid in Malayan currency. Free passages for appointee, wife and children under 12 years of age. Housing allowance.

Applications (six copies), with the names of three referees and full details of qualifications and experience, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date August 31, 1953.

AUCKLAND UNIVERSITY COLLEGE

NEW ZEALAND. Applications are invited for a LECTURESHIP IN GEOGRAPHY. The position calls for qualifications in physical geography (preferably geomorphology and biogeography), with ability to teach cartography and field survey.

Salary will be £800 per annum, rising to £950 per annum by annual increments of £50. Allowance is made for travelling expenses. Further particulars and information as to the method of application should be obtained from The Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

Closing date for the receipt of applications in London and New Zealand is August 31, 1953.

AUCKLAND UNIVERSITY COLLEGE

(UNIVERSITY OF NEW ZEALAND). Applications are invited for a LECTURESHIP IN ECONOMICS. Salary will be at the rate of £850 per annum, rising to £950 per annum by annual increments of £50. Allowance is made for travelling expenses.

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

The closing date for the receipt of applications is September 15, 1953.

EXPANDING GROUP OF COMPANIES in Midlands, with international reputation, employing 5,000 to 6,000 on manufacture of wide range of products in motor, aircraft and industrial fields and having acknowledged leadership in production and personnel techniques, is about to appoint, at a very substantial salary, an executive capable of advancing ultimately to the most senior position on their production management staff. Applications are invited from men 25 to 45 years of age who possess the essential minima, and those experience, which are regarded as the essential minima, and those without them will not be considered.

1. Technical training—H.N.C. or B.Sc.(Eng.).
2. Long practical experience (preferably with apprenticeship) in light precision engineering.
3. Many years of progressive supervisory experience in the same field.

4. Present position of high managerial responsibility. All applications received will be regarded as strictly confidential and will be considered at the highest level. The details required include age, training and qualifications, particulars of positions held, in date order, and an indication of the salary expected.—Box 285.

PUBLIC COMPANY, requires General Sales Manager. Textile of women's clothing, but appointment demands outstanding experience not essential, but appointment demands outstanding ability and experience in the control and direction of a national sales force. Commencing salary £3,500-£4,000 per annum, dependent upon experience, with prospect of directorship. Applications will be regarded as strictly confidential and will be opened only by the Managing Director.—Box 302.

FINANCIAL EDITORIAL ASSISTANT REQUIRED FOR LONDON FINANCING NEWSPAPER. Applicants, who must be of good personality and not over 40, should: (1) Be familiar with the financial and economic aspects of the metaliferous mining industry, with respect both to individual mining companies and to the share and metal markets; (2) Be able to compile and interpret simple statistics; (3) Be able to write constructively, concisely and quickly and preferably—have had previous experience of early promotion. The appointment offers the opportunity of early promotion. The appointment offers the opportunity of early promotion. The appointment offers the opportunity of early promotion.

depend on the extent to which the above requirements are initially fulfilled.—Particulars of qualifications and previous experience to Box 305.

I SHOULD LIKE to become a SURTAX payer (in due course). I am 33, have a thorough practical knowledge of export, personal selling experience at home and abroad, an Honours degree in Economics and a fair knowledge of three foreign languages.—Box 298.

LARGE British Company with world-wide distributive organisation and trace-mark and own production facilities in light engineering, factory seeks new products. Ample finance available for production, selling and advertising. Write Box 296.

YOUNG EXECUTIVE, exp. sales gen. management, seeks position. A.M.Amer.I.E.E., age 32, foreign languages, background light elec. industry, but any field considered where ability to use imagination is required. Excellent record in consistently progressive career.—Box 297.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS IN ECONOMIC & SOCIAL STUDIES. Applications are invited for the above studentships, renewable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £250 or £300 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University. Applications should be sent not later than August 15th, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for research posts in ECONOMICS, ECONOMIC STATISTICS, GOVERNMENT, SOCIAL ADMINISTRATION, and SOCIAL ANTHROPOLOGY. There are two grades: Grade II—salary not less than £450 per annum; Grade III—£350-£400 per annum. Applications should be sent not later than August 15, 1953, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF SOUTHAMPTON

Applications are invited for the post of Research Assistant in the Department of Economics, for research into productivity of certain industrial firms. Salary £400-£450, duties to commence September 14th or as soon thereafter as possible. Applications (three copies), together with names of three referees, should be sent by August 4th, to the Professor of Economics, University of Southampton, from whom further particulars may be obtained.

THE AUSTRALIAN NATIONAL UNIVERSITY, CANBERRA

SCHOLARSHIPS. Applications are invited from postgraduate students with research experience for Scholarships in Anthropology and Sociology, Demography, Economics, including Economic History and Economic Statistics, Far Eastern History, Geography, International Relations, Law, Pacific History, Political Science, including Public Administration, Social Philosophy, Statistics, including Mathematical Statistics. The Scholarship tenure is for a period of two to three years.

The present value of a Scholarship is £A624.10s. p.a. Married scholars with dependent children may be granted additional allowances and the University will make a contribution not exceeding £87.75 towards a scholar's fares to and from Canberra.

Application forms and further information may be obtained from the Secretary, The Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1. Applications should be submitted to the Registrar, The Australian National University, by August 31, 1953.

R. A. HOHNEN, Registrar.

NORTH WESTERN INDUSTRIAL ESTATES, LIMITED

APPOINTMENT OF GENERAL MANAGER. Applications are invited from suitably qualified candidates for the post of General Manager of the North Western Industrial Estates Limited. The Company acts for the Board of Trade and is responsible in the Merseyside, South Lancashire, and North-East Lancashire Development Areas for the construction and management of factory premises and industrial estates financed by the Government under the Distribution of Industry Acts 1945 and 1950.

The initial salary will be within the range of £1,500-£1,750, dependent on the qualifications and experience of the successful candidate. The successful candidate, on taking up the appointment, will be required to join the Company's Staff Pension and Life Assurance Scheme.

Applications, stating age, education, present appointment and salary, and giving full particulars of qualifications, experience, etc., together with the names of two referees, should be forwarded to: The Chairman, North Western Industrial Estates Limited, Derby House, Exchange Buildings, Chapel Street, Liverpool 3, so as to reach him not later than August 21, 1953.

Envelopes should be endorsed "General Manager." This vacancy has been notified in accordance with the Notification of Vacancies Order 1952.

THE Renold and Coventry Chain Company Limited require an individual for the Economic Survey and Central Statistics Department. Candidates should be 28/35 years of age with good University degree in Economics and/or Statistics, and experience in industry of the practical application of economic and statistical techniques.

Commencing salary £730/780 per annum, depending on qualifications and experience. The post includes participation in the company's pension and profit-sharing schemes.

Applications, stating age, full details of qualifications and experience, should be addressed to the Employment Manager, Renold Works, Didbury, Manchester 20 and quote the Reference A5.

OXFORD GRADUATE, 25, single, bilingual French, fluent Spanish, ambitious, hardworking, and intelligent, two years' P.A. experience with large British export concern in very competitive Near Eastern market, seeks responsibility and quick progress with firm London or Madrid.—Box 286.

THE Executive Director of a manufacturing company in the West Midlands requires an Assistant with experience in Organisation and Methods, Work Study, Staff Management, and some knowledge of Management Accountancy. Age 30 to 35. Commencing salary £800, with good prospects of promotion.—Box 301.

RESEARCH GRADUATE (29),

COMPANY MEETINGS

LONDON AND MANCHESTER ASSURANCE
COMPANY, LIMITED

INCREASED PREMIUM INCOME IN ALL DEPARTMENTS

ANOTHER SUCCESSFUL YEAR

LORD GRANTCHESTER'S REVIEW

The eighty-fourth annual general meeting of the London and Manchester Assurance Company, Limited, was held on July 15, 1953, at the Chief Office, Finsbury Square, London, E.C.2.

The chairman, Lord Grantchester, OBE, in moving the adoption of the report and accounts, said:

I know that I shall be echoing the feelings of everyone engaged in our enterprise if I commence my remarks by paying a tribute to our former chairman, Mr A. H. Dawes, who made so noteworthy a contribution to its growth and prestige. His career won him distinction—not only in this company—but in the service of Industrial Life Assurance as a whole. His chairmanship of the Industrial Life Offices' Association during the crucial period when a large sector of the insurance industry was first openly threatened with damaging state interference thrust upon his shoulders heavy responsibilities. He discharged these duties with steadfastness—always keeping before him a national rather than a parochial view of his responsibilities.

BOARD CHANGES

There have been several important changes in the constitution of the board during the past few months.

We welcome three new directors:

Mr Harold L. Rouse is a distinguished member of the distinguished board of the Midland Bank, with which he has been associated all his life, attaining the high office of chief general manager before he joined the board of the bank.

Mr Lewis G. Whyte is well known for his knowledge and experience of the problems of investment.

I consider the company is particularly fortunate, in times like the present, to have the benefit of the advice of two men of such calibre and wide experience.

The third addition to the board is Mr Wilson, who joined the company in 1922, and upon whom, as the company's actuary, the board is dependent for the assessment of the company's liabilities.

Mr Wilson was appointed actuary in succession to Mr A. H. Mann, who, in May last, was appointed managing director.

Mr Arrowsmith is leaving us after 52 years' service with the company, of which 25 years were spent as general superintendent and six years as a director.

ACCOUNTS

The accounts for the year ended March 24, 1953, and the directors' report have been in your hands for some weeks, and I assume you would wish me to take them as read. Now that the comparative figures for the previous year are published in the accounts, there is very little that it is necessary for me to say on them without wearying you with the repetition of figures which you will have already studied. Suffice it for me, therefore, to draw your attention to the fact that the

premium income from all branches advanced by £180,000 and exceeded £6 million, showing the continuing progress of the company.

The gross rate of interest earned on the Ordinary Branch Life Fund was £4 13s. per cent and on the Industrial Branch Life Fund £4 12s. 11d. per cent, which in each case is 3s. 4d. per cent better than last year (part of which increase is, however, due to the effect of last year's large transfers to Investments Reserve Fund). The net rate earned was £3 11s. 1d. per cent compared with £3 9s. per cent last year in the Ordinary Branch and £4 4s. 6d. per cent compared with £3 19s. 10d. per cent last year in the Industrial Branch.

Including the transfer to the Staffs' Pension Fund as an expense, the expense ratio in the Ordinary Branch was 13.9 per cent, showing a small decrease on last year's figure, whereas the Industrial Branch expense-ratio, similarly calculated, remained unchanged at 30.8 per cent.

INVESTMENTS

Last year, as you know, it was necessary to make substantial transfers to Investments Reserve Fund to meet the depreciation suffered mainly on the company's holding of Government securities. I am happy to be able to tell you that the position as regards depreciation was materially better on March 24, 1953, as compared with the position a year earlier.

Nevertheless, as the Chancellor indicated in his Budget speech, the future is by no means yet "set fair," and your directors, while resuming the policy of declaring a reversionary bonus to policyholders in both branches for the past year, have deemed it desirable to exercise caution against the possibility of renewed deterioration which might follow upon another deterioration in the nation's balance of payments, for the Chancellor has made it clear that in such an event he "would not hesitate to use the monetary weapon," which might include the raising of the Bank Rate.

LABOUR PARTY PROPOSALS

It is unfortunately necessary for me to refer, briefly, to the new proposals of the Labour Party published a few weeks ago in so far as they appear to affect our business. No more reactionary and undemocratic plea has been advanced than that the nation's economy (which means what is to be produced and sold) should be determined in peace-time by regulation and imposed upon free citizens. The answer is very plain: no one has the right to decide such a matter except the people themselves in their day-to-day activities, and it is an impertinence for anyone or any Party to indulge in pretensions of superior knowledge of such a complex subject covering so vast a field. In a free market economy what governs production is the vote, often cast several times a day, by the breadwinner or by the housewife when they exercise their choice in selecting a purchase in a shop or in an insurance office. If any manufacturer, or for that matter any insurance company, is intelligent enough to anticipate a sufficient demand from the public for what they are to

offer for sale, thereby proving that they are meeting a need, they will be fortunate enough to make a profit. If they do not do so they will soon be out of business. The concept of profit is therefore a function of primary importance indicating as it does how far the public is being served as it wishes. Expectation of profit is the incentive which calls for service and the realisation of profit the criterion by which investors must judge.

Any other criterion, however it is designated or whatever good intentions may inspire it, is fraught with grave risk of loss to those who, by restricting their immediate consumption, have performed a most useful social function by their saving through the medium of insurance or other channels. It is of special interest to us, because of the importance of our business in its relation to national saving, to know that the exhaustive Report of the Bank of International Settlements published last month states that experience has shown that it is an illusion to count on overall budget surpluses for any permanent contribution to meet the requirements of industries and that what is necessary is a revival of personal saving made possible by reductions in taxation.

Taxation is too high in this country to permit of the necessary flow of savings into creative enterprises but every member of our staff when he sells a policy is helping to realise the hopes of the Chancellor that the gap in his Capital Balance Sheet will be bridged through personal saving.

The collection of so many small premiums has for many years provided, and continues to provide, a very important contribution to national savings.

The Labour Party's proposal to prescribe by statute on the distribution or ploughing back of profits is a further attempt to relieve directors of their responsibilities and to decide "ex cathedra" by a tribunal less conversant with the relevant considerations vital to the business than those upon whom the responsibility now rests.

The salutary influence of a body of shareholders upon their board ensures generally among other beneficial effects that a balance is held between conservation and distribution. Fair distribution is important for its bearing upon a policy of conservation, for the most conservative conservation usually needs reinforcement at some time by further investment which cannot be expected to be made in a company which does not deal equitably with its existing shareholders.

The London and Manchester is a Company which is out quite unashamedly to make a profit because the making of a profit is evidence that we are meeting a wide need with due economy in administration and are pleasing large numbers of the public. When we have demonstrated that fact we share that profit with those through whom it has been won, to whom we pay back a far larger proportion of profit than to anyone else. To policyholders in the Industrial Branch who have no contractual right to participate in profits we have allocated, out of profits, no less than three million pounds since we started this practice in 1928. We do this, not

because we are philanthropists, but because we think it good business to do so, for we hope thereby to attract a still wider circle of friends and policy-holders with whom we shall continue this process of profit-sharing.

As a final word on the new Labour Party proposals may I say that, in our opinion, the general body of policy-holders would not welcome the creation of a "Juggernaut" of an amalgamation to take the place of many rivals and competitors, large and small. After all, the service which an insurance agent renders in the home of the policy-holder is a very personal one and the preservation of a choice of the individual calling is very important. Monopolies are anathema to the consumer. The cost of administration might well rise rather than fall under a "publicly

organised service." Perhaps it is even more important that the caller at the home should not be the representative, direct or indirect, of the State or any other compelling Authority. So might be forged an instrument of coercive suggestion which could be used to undermine independent thought and prevent the formation of any independent public opinion.

STAFF

In concluding I should like to express once again our appreciation of the assistance and courtesy of the directors, officials and staff of the County Fire Office who so readily place their experience of Fire and Accident business at the disposal of our staff and policy-holders; and to pay a tribute to the

officials and staff of the London and Manchester who have contributed to the results before you. It is the aim of all concerned in the management that responsibility should be shared by every member of the staff, and that in a position of responsibility, whatever the degree, each should have the opportunity to work with dignity as a person of importance because he renders important service. In no business is the integrity, intelligence, keenness and personality of the representative more important than in an insurance office such as ours. To all members of the staff for their work during the past year we say "Thank you." Our wish is that all of them may derive enjoyment as well as profit from their work in the service of the Company during the current year.

ASSOCIATED WEAVERS LIMITED
(Manufacturers of Carpets and Upholstery Fabrics, Dyers and Spinners)

RECORD PRODUCTION AND PROFITS

LIQUID POSITION FURTHER STRENGTHENED

REVIVAL IN OVERSEAS TRADE EXPECTED

SIR FRANK NEWNES' STATEMENT

The seventeenth annual general meeting of Associated Weavers Limited was held on July 16th at the Savoy Hotel, London, W.C., Sir Frank H. Newnes, Bt, chairman of the company, presiding.

The secretary (Mr William Sunderland) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to March 31, 1953:

It is always a pleasant task for a chairman to report that, for the year under review, production and profits constitute a new high record, despite a very slow start in the early part of the year. Such, however, is the flexibility of the productive capacity of your company, coupled with the close team work necessary, that we were quickly able to take the opportunity offered by the increasing sales of our new products to raise output to record levels.

The consolidated net profit after all expenses, but before deducting taxation was £475,185 against £300,538 for the previous year, a truly excellent result.

Of this figure, taxation takes £335,227 or approximately 70 per cent leaving £139,958 or approximately 30 per cent for disposal. The latter is an increase of only £2,762, although the rise in profits amounted to £174,647.

THE DIVIDEND

The Directors have already paid an interim ordinary dividend of 10 per cent actual on a capital of £305,200 requiring £16,023 net, and now recommend a final ordinary dividend of 20 per cent actual on a capital of £348,800 (as increased by the free share bonus of 1 in 7 distributed last January) requiring £38,368 net and making a total of 30 per cent for the year.

Your Directors expect to be able to maintain in future this rate of distribution on the present ordinary capital of £348,800. The net sum required to pay this dividend and the preference dividends is less than half of last year's profits after deducting all taxation.

Your Directors have transferred from the balance on profit and loss account to general reserve the sum of £259,700, thereby raising it to £316,100. If we add thereto the share

premium account and the EPT post war refund, we get a total of £350,000 or slightly more than our issued ordinary capital. This will still leave us a balance of £9,556 on profit and loss account to be carried forward to next year.

BALANCE SHEET FIGURES

If you will turn to the consolidated balance sheet you will notice an increase in our plant and machinery account and this is due to the completion of the re-equipment of our carpet mill. The estimated balance of liabilities for capital expenditure within the group has been reduced as a result from £105,000 a year ago to £28,500 at March 31, 1953.

We have deemed it wise during a good year to write down to site value only, some cottage property we own which adjoins our Dudley Hill factory. We have also written down to £1, all our fixtures and fittings and motor vehicles.

The liquid position of the group has continued to strengthen. At March 31, 1953, our current assets exceeded our current liabilities by £892,152. Our current assets included £477,792 cash at bank and in hand, and on deposit with building societies.

END OF EPL WELCOMED

Although our basic profits figure is reasonably high by virtue of the satisfactory profits earned during the standard years as increased by subsequent accumulations of undistributed profits, nevertheless, the excess profits levy takes a heavy toll of this year's very much higher figures, which is such an extremely disheartening climax to the efforts which made those most excellent results possible. Fortunately, however, for a progressive company such as ours, the Chancellor said in his Budget speech that this tax will end in January, 1954, and it is worth noting that even the previous Chancellor, Mr Gaitskill, has gone on record as having stated that he, too, is opposed to this tax. If no alternative tax is imposed in its place, then your company should benefit very much indeed under normal conditions.

Last year I spoke about the volume in most markets being much smaller. Whilst the home trade demand has risen greatly, exports of the parent company are still restricted by the import controls exercised in our principal overseas markets. We are, however, now in-

formed that the saturation phase existing in some overseas markets has passed, and we are looking forward to a revival as soon as our main markets reopen fully. This should help to protect us should the present keen home trade demand for our products tend to slacken in the future.

I also mentioned the introduction at the latter part of the year of a new twin pile moquette, and I feel that I must add that the sales of this fabric have far exceeded our most optimistic hopes.

TWO INTERESTING EVENTS

Since March 31, 1953, there have been two interesting events. One, the reduction of purchase tax on carpets—most certainly a step in the right direction—and the other, the completion of the re-equipment of our carpet division.

Progress in our research and quality control departments continues well. They are now mainly equipped with the latest type of machinery suitable to their needs. Several photographs based on these departments are shown in this report.

During the year under review, Directors and representatives of our sales organisation and that of our subsidiary, Armordite, Limited, have visited the principal countries of the world in the interests of sales and close observation of trends.

FURNISHING TRENDS

At the present time in the furnishing industry, as well as in architecture, there is a definite leaning towards what is known as "contemporary" into which controversial sphere I do not propose to enter; but I would like to say that our competent designing staff have had no difficulty in producing for this field successful designs (which have been acclaimed by our customers catering for this difficult but definite market) as well as, of course, producing our traditional types of designs. Our production and sales so far this year are highly satisfactory in every division.

I think it is worth repeating that all our moquettes and carpets are branded with the trade mark "Weavercraft," and our customers know that we proudly stand behind this.

This year, as I write my speech, the international situation appears to be more relaxed

than at any time since the end of the war, and it is devoutly to be hoped that we shall really have "peace in our time." With the strengthening of the sinews of peace, more houses, more refurnishing, etc., etc., your company will have an increasingly important part to play in catering for an ever-widening demand not only at home, but in many markets abroad.

SUCCESS OF ARMORIDE, LIMITED

Contrary to the trend in the leathercloth and plastic industries, our subsidiary, Armoride, Limited, has again increased its profits to an all-time record, and we regard this as a great tribute to its efficiency and to the originality and sales appeal of its products. The policy of maintaining an excellent standard of quality and service to their customers reaps its own reward.

Its new upholstery covering "Florestin" continued in its popularity, and is now established, and is fast becoming a household name.

This year in particular I cannot conclude without saying how very much I and my co-Directors thank our executive and productive staffs, employees, and especially our sales organisations and their agents throughout the world, for the excellent efforts they have put in during the whole of the year, which have enabled us to achieve such magnificent results.

The report and accounts were unanimously adopted; the proposed dividend was approved, and the retiring Director, Mr Basil M. Lindsay Fynn, BComm, FCA, was re-elected.

Resolutions were also passed ratifying the pension arrangements made on behalf of the Managing Director by the board, and approving an agreement extending his service agreement.

AMALGAMATED METAL CORPORATION

MR W. GARDNER'S STATEMENT

The following are extracts from the statement of the chairman issued with the report and accounts.

In 1952 the contraction in world trade in consequence of restrictions imposed by many countries and the recession in commodity prices had their effects on the operations of our group, which comprise not only the principal non-ferrous metals and ores and rubber, but also many other commodities, such as timber, chrome, asbestos, jute, vegetable oils, etc., as well as general merchandise. Profits are consequently lower. Nevertheless, your board has deemed it right to maintain the dividend at the same level as last year.

LEAD AND ZINC

The lead market was reopened on the London Metal Exchange on October 1, 1952, and the zinc market on January 2, 1953. All arrangements have been carried out smoothly, thus enabling the London Metal Exchange to resume its normal functions of registering world prices and enabling producers and consumers to hedge against their commitments.

The reopening of these markets took place during a period of inevitable reaction from the world-wide buying scramble of 1951 and early 1952. Also, whereas during the last six to twelve months under bulk purchase the Government had, in effect, been taking substantial tonnages off the market, under private trading the full current output had either to be sold to consumers or hedged on the Exchange. The falling trend of prices thus continued.

The price of lead had dropped from £180

a ton at the beginning of 1952 to £110, when the London market reopened. It rapidly fell to £80 on October 22nd, but recovered to £105 a ton at the end of the year. In 1953 a new low point of around £72 was touched on April 23rd, from which there has been a recovery to the present level of around £89 a ton. Zinc was as high as £250 a ton (and refined zinc over £300) at the beginning of 1952, and had fallen to under £90 at the end. During 1953 it fell to £64 a ton (April 23rd) and is at the present time (June 30th) around £71 a ton.

The drastic correction of the excesses of the Korean boom appears to have come to an end in April and from now on we can reasonably hope for a much more stable trend of lead and zinc prices.

The postwar expansion of output continued in 1952. World production of lead last year amounted in long tons to approximately 1,750,000 tons and of zinc to 2,250,000 tons. The USA continued to provide a huge post-war market for "foreign" metal and its imports of lead and zinc last year amounted to 550,000 tons and 450,000 tons respectively.

The copper market on the London Metal Exchange will be reopened on August 5th.

RUBBER

From a high of 41d. per pound early in 1952, the price of rubber declined steadily to a low for the year of 22d. in October. An improvement took place in November and December, the price reaching 28d.

This improvement was speedily counteracted by the reopening of the alcohol synthetic plants by the US government and the price recommenced its downward movement, touching the low point of 19½d. in April. The cost of production of alcohol based synthetic is believed to be around 36d. per pound, while it is being sold by the US government at under 20d.

It is hoped that the synthetic plants in the USA will be disposed of to private industry within 12 months, and it should then be possible to ascertain the true commercial cost of production of synthetic.

World production of natural rubber exceeded consumption by about 300,000 tons in 1952—all of which was absorbed into Government stockpiles. For 1953 the Rubber Study Group estimate a surplus of 190,000 tons. The Study Group at Copenhagen postponed further consideration of a buffer stock and had to remain content with a declaration by the RMA of America that they would absorb or consume any potential surplus of natural rubber during 1953 at or around the present price level of 21d.

NEW INTERESTS

Two years ago I mentioned that the British Metal Corporation, in conjunction with a well-known mining concern, had exercised an option for the purchase of an asbestos property in Southern Rhodesia. The scope of this enterprise has been widened and our subsidiary's associates now include the Johns-Manville Corporation of USA, and Anglo-Huronian, Limited. A company named "Rhodesian Asbestos Limited" has been formed, in which the British Metal Corporation are considerable shareholders.

In common with a substantial number of important concerns, the British Metal Corporation is a participant in a syndicate known as British Newfoundland Corporation, Limited. This has been formed with the active support of the Newfoundland government, and its objective is to prospect on a substantial scale the natural resources of various parts of Newfoundland.

The British Metal Corporation has taken an investment in the Commonwealth Development Finance Corporation, the company recently formed under the aegis of the Bank of England.

WHITBREAD AND COMPANY

RESULTS AGAIN SATISFACTORY

The annual general meeting of Whitbread and Company, Limited, was held on July 10th in London, Mr W. H. Whitbread (chairman and managing director) presiding.

The following is an extract from the circulated statement by the chairman for 1952:

You will have seen a preliminary announcement of the profit made by the Company during the year 1952, and of the increased dividend recommended. From this you will probably have considered that the results are again satisfactory.

IMPROVED FIGURES

The profit of the Parent Company for the year, after providing for taxation, amounts to £653,624, an increase of £61,258 over the previous year. The consolidated accounts also show an improvement; the profit for the year after providing for taxation is £723,862—an increase of £66,598. Profit on trading, plus dividends and interest receivable, has increased by some £113,000. This increase has, however, been offset by the extra charges for Debenture Interest payable of £64,500 and depreciation of £59,600. The charge for taxation is decreased by £59,000.

From the consolidated balance sheet it will be noted that current assets amounting to £8,739,221 exceed current liabilities by £4,472,709; free reserves and undistributed profits amount to £5,048,603, compared with £4,663,786 for last year, and exceed the issued ordinary capital of the Company by nearly £2 million.

There is no doubt that, during the last year, there has been a great change in industry.

First, we may be in the process of moving over from an inflationary to a deflationary climate. Secondly the Brewing Industry, which rather doubtfully enjoyed a sellers' market during and immediately after the war years, met the full force of a buyers' market about two years ago. This needs a thorough readjustment of outlook. Thirdly, the most recent change is the easing of controls.

TAXATION OF BEER

The tendency towards deflation means that our customers have less money to spend, and I do not see how the national revenue from beer can be maintained under the new conditions unless the price of beer is reduced by a lowering of the rate of Duty. If Beer Duty is not Purchase Tax, it is a special tax levied on the industry; I have always understood it to be a tax paid by the consumer, but levied at the most convenient place in the process of manufacture and distribution for collection by the Treasury. The fact remains that Purchase Tax on beer is levied at the rate of well over 150 per cent, whereas hardly any other article, however much of a luxury, now bears more than 75 per cent.

Your Company still makes good progress in its export trade to markets all over the world, especially in hard currency areas. It is now four years since we were able to get back into full swing in Belgium, where we have traded for over 50 years; during the last four years we have not only greatly increased this outlet for the Company's products, but have also secured for the country over 1½ million pounds of this hard currency. This year has broken all previous records.

Now, well on into another year's trading, in spite of difficulties and increased competition, we look forward with confidence in the future of the Company.

The report and accounts were adopted.

ROLLS-ROYCE LIMITED

RECORD OF ACHIEVEMENT

POLICY OF PRE-EMINENCE IN ALL DIVISIONS

LORD HIVES ON THE MANIFOLD ACTIVITIES

The forty-sixth annual general meeting of Rolls-Royce Limited was held on July 14th at the Midland Hotel, Derby, The Rt Hon. Lord Hives, CH, MBE, LLD, DSc (the chairman), presiding.

The following is an extract from his circulated statement:

Once again I am able to report another successful year's trading. The turnover in 1952 was a record for your company. The amount paid out in taxation was also a record, and the profits reached the highest level recorded in our history. This rising trend of profits reflects active employment of a rapidly increasing amount of capital which has taken place as a result of new issues of capital and retention of profits.

It is gratifying to report that all departments of our business contributed to the increased turnover.

You will see that we have spent further substantial sums on buildings and equipment. The ever-increasing complexity of plant and the necessity for your company to have resources to meet the demands which are made upon it cannot rule out the possibility of further permanent capital being required. Whilst no immediate action is contemplated, it is considered advisable to increase the authorised capital of the company, and a special meeting will be held for this purpose.

AERO DIVISION

In the military field there is still a preponderance of Rolls-Royce engines in service with the RAF.

The Avon has established itself as an outstanding engine for reliability and low cost of maintenance.

As new types of aircraft come into use in the RAF, so the number of Rolls-Royce engines in service increases. The Hunter, Swift and Valiant aircraft which are at present in production are all fitted with Avon engines.

In connection with the Nato off-shore purchases by the USA, your company is fortunate in that the aircraft that have been chosen for manufacture, both in this country and on the continent, are fitted with our engines.

Our engineers, designers and technicians are continuously working on improved and new designs in order that we can maintain the world-wide pre-eminent position we now enjoy. It is inevitable that competition will increase in the world markets and we must be prepared to meet it.

We have built up a considerable reputation and goodwill in Civil Aviation.

The Vickers Viscount is an outstanding aircraft and a number are now operating on BEA scheduled services. Although it is too early to make any claims for this operation, it is interesting to note that the aircraft went into service on the exact date laid down a long time ago.

Deliveries of Viscounts have started for Air France, and several other countries have placed orders. We are particularly pleased with the order that Vickers-Armstrongs Limited have obtained from Trans-Canada Air Lines. It is an outstanding achievement

for a completely British-designed aircraft and engines to be purchased for passenger service on the North American Continent.

The first Comet II has been flying for over a year on proving tests, and it is anticipated that the de Havilland Aircraft Company will deliver Comet IIs to the schedule as laid down.

It is your company's policy to establish our products as pre-eminent in civil aviation. It is the type of business where quality, reliability and efficiency are readily appreciated.

MOTOR CAR DIVISION

Our output of Rolls-Royce and Bentley cars has been well maintained. In common with other manufacturers, however, we have had to contend with the uncertainty in the home market caused by the expectation that a reduction in purchase tax was imminent.

We have continued to study the needs of all export markets which are open to us and particularly the European and American Continents. The introduction of the Continental Bentley has been welcomed by many Bentley owners of long standing, both at home and abroad.

We have also introduced a fully automatic gearbox. We are the first British manufacturer to achieve this, but we consider this an essential feature for countries where American cars are available. We are very gratified by the response with which it has met.

The "B" range of petrol engines has been brought into production both in our own works and in those of the Austin Motor Company, Limited.

The oil engine division did well to get under way with its production programme. The bulk of the engines at present being produced are absorbed by Vickers-Armstrongs Limited for use in their VR.180 Tractor. A number of engines were also made available to other customers for use in prototype and production installations. We look forward to developing many more of these as soon as circumstances permit.

OVERSEAS ACTIVITIES

Our products—aero engines, motor cars and oil engines—are in use in most countries throughout the world. We take particular pride in ensuring that our customers receive all the technical help and service they need in maintaining these products. We have technical and service engineers living in many countries.

After dealing with the progress of the associated companies the statement continues: The demand which your company is experiencing for its products both Military and Civil, at home and overseas, can only be attributed to the emphasis which has always been placed on the importance of design and development and the equal importance of moving forward in clearly defined steps, each step being based on sound knowledge and experience.

The report and accounts were adopted.

At a subsequent extraordinary general meeting a resolution increasing the authorised capital to £6 million by the creation of 2 million new £1 ordinary shares was approved.

THE METAL BOX COMPANY, LIMITED

SIR ROBERT BARLOW'S REVIEW

The thirty-second annual general meeting of The Metal Box Company, Limited, was held on July 17th at the Mayfair Hotel, London, W.

Sir Robert Barlow, the chairman, presided.

The following is an extract from the directors' report and from Sir Robert's review, which have been circulated together with the statement of accounts for the year ending March 31, 1953:

Our sales and income from investments have again risen to a record total for the year of £40,165,000, of which £29,161,000 was earned at home and £11,004,000 overseas.

Group profits (after depreciation and taxation) were £1,302,905, against £1,515,063. This year's figure represents 3¼ per cent on sales.

The consolidated balance sheet shows capital reserves and revenue reserves totalling £8,259,862, an increase on the year of £1,693,027, made up of £872,018 share premiums and £821,009 profits retained.

Additions to fixed assets were £2,072,992 and depreciation was £728,091. Group current assets exceed current liabilities by approximately £9,500,000. The ordinary dividend was maintained at 15 per cent on the capital as increased during the year.

The year has been one of fluctuating demand, rising costs and increased competition.

Since so many of the company's products are used as containers for foodstuffs, our policy has been to expand production and to accept a lower margin of profit as being some contribution to restricting further increases in the cost of living and to encourage exports.

TINPLATE

The opening of the new cold reduction mill at Trostre during the year coincided with a recession in demand at home and overseas. This brought about the temporary closing of a number of hand mills, with the probable loss of many skilled men to the industry.

As a consequence, production today in South Wales is less than it was a year ago, while consumption is greater and will increase. The fall in overseas orders was mainly due to a world-wide reduction in stocks and it is probable that as demand picks up tinplate will again be in short supply, until the new cold reduction mills at Velindre and Ebbw Vale come into operation towards the end of 1955.

PRODUCTION

A new factory for the production of food cans is in course of erection in Wisbech, all the productive machinery for which is being built in our own shops. With Wisbech, we shall have seven highly specialised plants, the potential annual output of which will be over 2,000 million cans, as compared with 65 million 21 years ago.

MACHINERY BUILDING

The purchase of an engineering plant at Crawley referred to last year has proved a valuable addition to our facilities. Our production this year exceeded £1,200,000, of which over 30 per cent was exported.

SALES

Our sales position is very much stronger than it was when Trostre opened last summer. Export markets have begun to open

up again for our customers. The home trade demand is strong. It is satisfactory to report that many of the industries most affected by last year's recession are now pressing for delivery to the limit of our capacity to produce.

We have felt the effects of competition both from within our own industry and from competing packaging materials. We meet

that competition, we believe successfully, by the keenness of our prices and the quality of our products.

VISITS

During the year I have visited our Associates in New York and Western Europe; our subsidiary company in India at Bombay,

THE ECONOMIST, JULY 18, 1953

Calcutta, and Madras; our subsidiary in Singapore; our Associates in Australia at Sydney, Melbourne and Adelaide; and our Associates in Auckland, New Zealand.

The report and accounts were adopted.

Complete copies are available from the Secretary, The Metal Box Company Limited, The Langham, Portland Place, London, W.1.

WIGGINS, TEAPE & COMPANY (1919), LIMITED

DIFFICULT TRADING CONDITIONS

EFFECT OF DIMINUTION IN STOCK VALUES

The thirty-fourth annual general meeting of Wiggins, Teape & Company (1919), Limited, was held on Thursday, July 9, 1953, in London, Mr L. W. Farrow, CBE, the chairman, presiding.

The following is an extract from the statement by the chairman, circulated with the report.

In my statement last year, I referred to the serious recession in the demand for paper and paper products which had taken place. Your directors had felt that such a recession would occur sooner or later. With this in mind, stocks of paper had been allowed to run down to a low level. As a result of this, it was possible to keep our mills running when the volume of incoming orders was lower than the productive capacity of our mills by building up stocks. We fixed a ceiling tonnage of stocks, however, below the tonnage we were accustomed to hold in pre-war days. Though all our mills at some time or other ran short-time, it was not necessary to close down any mill during 1952. No real improvement in the order position occurred until early in 1953.

Our principal raw materials, namely, woodpulp, esparto and cotton linters, come from overseas and it is essential to hold considerable stocks to meet the current requirements of our mills and our customers.

FACTORS AFFECTING TRADING

The year 1952, therefore, was one of great difficulty with every factor working adversely against profitable operations. These adverse factors can be summarised as follows:—(a) Losses arising from successive reductions in values of our stocks of raw materials. (b) Losses arising from successive reductions in values of stocks of our own manufacture and paper which we merchant. (c) Higher production costs due to short-time working in addition to which there were increases in the rates of wages and cost of coal and transport. (d) Increased handling and selling costs per unit of sales as a result of the reduced volume of trade.

Our subsidiary company, Pirie Appleton and Company, Limited, and its group of companies overseas, which manufacture envelopes and stationery, were affected in a similar manner and for the same reasons as was the paper trade.

I informed you last year that your directors had decided to establish a mill in Australia. I am glad to state that the old-established firm of papermakers, William Nash, Limited, of St. Paul's Cray, Kent, is joining us in this proposed enterprise. A site on the Shoalhaven River near Nowra in the State of New South Wales has been acquired and plans are now being prepared for the erection of a two-machine paper mill thereon. In the first instance, it is not proposed to build a pulp mill, but the site is suitable for that further development when

it should be considered advisable. Stockholders will be informed as soon as the financial and other plans are finalised.

The South African Pulp and Paper Industries, Limited, in which your company has a substantial interest, again had a record year of trading profit for 1952. The fourth paper machine at the SAPPi mills at Enstra, to which I made reference last year, is now working and the erection of the new mill at the site on the Tugela River, South Africa, is making satisfactory progress. Our relations with the management of SAPPi continue to be most cordial.

RESEARCH AND DEVELOPMENT EXPANSION

We have continued to expand our research and development work both as regards our scientific staff and the equipment of our laboratories. Further, we have a big variety of papermaking machinery on which to make full-scale trials or production when the laboratory work has been completed. At all our mills we have technologists qualified and experienced to control specifications of the papers once established, and to aid this we are continuing to add to and improve our recording instruments. We are, therefore, in a unique position, not only to develop any speciality papers that may be required, but to give even closer attention to the maintenance and improvement in the quality of our standard papers.

The following shows the amounts for which the fixed assets, excluding freehold land and motor vehicles, are insured, compared with the values appearing in the consolidated balance sheet:

Insured values	£
Buildings	6,456,236
Plant, machinery, etc.	8,963,445
	£15,419,681
Balance-sheet values, including freehold land and motor vehicles	
Total as per balance sheet	9,451,069
Less provisions for obsolescence and renewals	2,064,166
	£7,386,903

THE YEAR'S RESULTS

Upon turning to the consolidated profit and loss account, it will be seen that the trading profits of the group for 1952 amounted to £2,183,935, before making the adjustments enumerated, compared with £7,291,985. Your directors have explained in their report that they have added an amount of £1,656,574 to the trading profits for the diminutions in stock values and an amount of £825,941 to taxation for the tax thereon. This is in order that the profit and loss account should show

the results of trading without taking into account the effects of the diminutions in stock values brought about by reductions in prices of raw materials over which the directors had no control and for which special provision had been made in past years. We consider that the circumstances which caused these exceptional diminutions are non-recurring.

After deducting expenses and provisions, taxation, dividends to outside shareholders of and profits retained in subsidiary companies and adding investment income and interest received, the profit, including the net transfer from stock reserves (£830,633), amounts to £1,133,010. The sum of £647,000 has been transferred to general reserve and I would draw your attention to the fact that the amount of £709,845 standing to the credit of reserves for contingencies has also been transferred to general reserves, as your directors consider it no longer necessary to maintain these reserves separately.

Your directors in recommending a final dividend on the ordinary stock of 10 per cent, less income tax, have reverted to the declaration of dividends as a percentage less income tax. The final dividend, together with the interim dividend of 1½ per cent, free of income tax, makes the total dividend for the year 1952 on the ordinary stock an equivalent of 12.381 per cent, less income tax, being at the same equivalent rate as the total dividend for 1951. Of course stockholders receive a slightly higher net final dividend by reason of the reduction in the standard rate of income tax from 9s. 6d. in the £ to 9s. in the £. After making these appropriations, the balances on the profit and loss accounts of the group are increased from £208,616 to £251,433.

CURRENT YEAR'S PROSPECTS

With regard to the current year, though there has been some improvement, the demand for paper throughout the world is still less than productive capacity. There is evidence that stockists and consumers are still carrying more stock than they require, and only order more paper to make up what they need for current demands.

The outlook for your group is more promising. For some weeks all our mills have been working full time, and in fact in some cases overtime has been and is being worked. On the merchanting side of our business, however, trade both at home and overseas, as might be expected, is following the general trend of the paper trade to which I have referred. Satisfactory profits have been earned by the group since the close of last year, and if there is no deterioration in trading conditions, we should be in a position to present a satisfactory balance sheet for 1953.

It is my pleasant duty to refer to all our employees, both at home and overseas, and

THE ECONOMIST, JULY 18, 1953

to express to them our sincere thanks for their loyal work during what has proved to be a most difficult trading year.

The report and accounts were adopted.

WALSALL CONDUITS

CHANGED TRADING CONDITIONS

MR A. E. READ ON RISING COSTS

The seventeenth annual general meeting of Walsall Conduits, Limited, was held on July 13th in Birmingham, Mr A. E. Read (the chairman) presiding.

The following is an extract from his circulated statement:

The group final net profit for the year ended December 31, 1952, after making all provisions, including taxation, amounted to £159,192, compared with £209,434 for the previous year.

The net profit of the parent company, after making all provisions, including taxation, amounted to £174,211, compared with £178,637 for 1951, while the subsidiary company, after providing for taxation, has incurred a loss of £15,200, compared with a profit of £30,797 for the preceding year. Although the trading profit of the parent company has declined by approximately £38,000, this has been offset by the reduced provision required for taxation, and the final net result is a reduction of only £4,400, which may be considered satisfactory having regard to the trading conditions prevailing during the latter half of the year.

There has, however, been a further improvement in the liquid position of the group at December 31, 1952, the excess of current assets over current liabilities, including provision for the final dividend and bonus, amounted to £933,554, compared with £905,727 a year ago.

SUBSIDIARY'S ACTIVITIES

Our subsidiary company, A. G. Hackney and Company, Limited, at Hanley, is mainly concerned with the manufacture of electrical porcelain, and during the second half of the year under review there was a substantial reduction in demand for their products. As I indicated in my statement last year, there were many cancellations of export orders in consequence of import restrictions imposed by certain countries in which we were developing an expanding and profitable business. Another factor which has contributed to the adverse trading result is the continual rise in manufacturing costs which it has not been possible to recover in selling prices.

TRADING CONDITIONS

With regard to the parent company the turnover for 1952 was satisfactory and exceeded that of the previous year, but during the second half of the financial year trading conditions changed considerably, from a sellers' to what may be termed a consumers' resistance market. Without making any increase in the selling prices of our products during the past year we have had to meet additional costs have been met from increased output made possible following reorganisation and re-equipment carried out over the past few years. However, under increasingly competitive conditions it is now becoming more necessary than ever that the prices of all basic materials such as coal, coke, iron, steel, zinc, etc., and power should be substantially reduced. When circumstances improve we shall be in a position to take immediate advantage with our modern and up-to-date equipment and sales organisation.

The report was adopted.

GOODLASS WALL AND LEAD INDUSTRIES

RESULTS REFLECT MORE NORMAL CONDITIONS

NEED FOR INTENSIFICATION OF EFFORT

MR J. L. McCONNELL ON FINANCIAL POLICY

The twenty-second annual general meeting of Goodlass Wall and Lead Industries Limited was held on July 15th in London, Mr J. L. McConnell, the chairman, presiding.

The following is an extract from his circulated statement:

Before reviewing the operations of the company for 1952, I think it is desirable for me to refer once again to the effect of taxation on our base stocks. It is our practice in preparing our trading accounts to value the base stocks at constant prices so that the trading results are not affected by any fluctuations in market price. For taxation purposes, however, these market fluctuations have to be taken into account. In 1950 and 1951, owing to the rise in the price of metals, substantial tax liabilities arose, which were not reflected in our trading results, and we therefore, as you will remember, added to the stock values shown in the balance sheet the equivalent of the tax liability arising from such appreciation. In 1952 conditions were reversed and the book value of the base stocks was reduced by the amount of the tax relief obtained.

In addition, it was found advisable during the year to make a reduction in the quantity of our base stock of lead: as a result of a policy of concentration of production over a considerable period, it had proved to be in excess of requirements. From this realisation of base stock, which was effected at an opportune time, a profit of over £200,000 has arisen. This has been transferred direct to reserve.

The group balance sheet remains a strong one and shows a marked improvement in our liquid position.

GENERAL

This time last year I stated that we were feeling the effects of a recession in trade, and that, in the absence of a material improvement in conditions, we were bound to experience some reduction in our earnings in 1952. This has taken place and the group profits of £1,481,286 compare with a figure of £3,380,991 for 1951. This fall in profits to what must be looked upon as a more normal level is a reflection of general trading conditions throughout the world.

The year 1952 will possibly be regarded in many industries as of some significance in that it may have marked a change-over from the somewhat abnormal postwar period of rising prices and general inflation to one of falling prices and less inflationary conditions in which trading may well be considerably harder. The results of our home companies for some years now have, as previously stated, been in excess of what we consider to be their normal earning capacity, and a repetition of these results is not to be expected. In many ways conditions in 1952 were for us almost the reverse of those prevailing in 1951. A substantial fall took place in metal prices (lead £175 per ton to £106 per ton and antimony £365 per ton to £225 per ton), while pigments were in ample supply throughout the whole of the year and a complete return to a buyer's market took place. Our smelting and refining department and the Fry's Metal Foundries group had a successful year, although they experienced a steady increase in competitive conditions throughout the period. The value is now more fully being

felt of the heavy capital expenditure incurred since the war in the modernisation of our smelting and refining plants. Export trade generally showed some diminution following the universal panic buying which took place in 1951; deliveries were well spread and included a useful tonnage to hard currency markets.

Goodlass, Wall & Company, Limited, Liverpool, although maintaining their turnover, suffered, in common with most paint companies, some decline in earnings, but in the circumstances their results can be considered satisfactory. They have enjoyed a steadily increasing share of the retail market with their "Valspar" range of products. Our smaller paint interests felt the recession more keenly.

Trading conditions in India were difficult and our lead and zinc companies in Calcutta suffered a reduction in tonnage. We are pleased with the progress made by our Durban company, but here again losses on lead stocks were sustained.

The year 1952 was not an easy one for the paint industry abroad. The results of our Bombay company were again affected by the official policy in regard to labour and by the same general recession in trade as was experienced by our lead companies in Calcutta. The figures for the Argentine company, which are again good, continue to be omitted from our accounts. I am glad to report that nearer home Harringtons & Goodlass Wall Limited, Cork, maintained their position well.

British Titan Products Company, Limited, though not unaffected by the conditions prevailing in 1952, continues to prosper and is once again enlarging its capacity. The results of our associated Company in Johannesburg, Enthoven Fry Limited, show an improvement over those for 1951, itself a good year; a new works at Port Elizabeth has just been established.

The business in zirconium compounds is a complicated and highly technical one, in which much fresh ground has to be broken and the period for establishment of this division is proving more lengthy than anticipated. Our research laboratories at Perivale and Kirby have had an active and useful year.

RAW MATERIAL SUPPLIES

Lead has been in free supply throughout the period. The disparity between the Continental price and the UK official price for most of the time created difficult conditions for our export department, but on October 1, 1952, the Government relinquished control of lead and dealings on the London Metal Exchange opened for the first time since the war. The market has not yet fully settled down but the substantial fall in price which has taken place may be helpful in strengthening in some directions the competitive position of lead. The Ministry of Materials is to be congratulated upon reopening the lead market and as a further measure of freedom from Government control we welcome the announcement that dealings in copper are to be resumed on the London Metal Exchange in August of this year.

The financial position of the Group has received the close attention of your board. At the end of 1951, a net cash balance of £627,276 was available to meet current tax-

tion of £1,806,223, a deficit of £1,178,947. After providing for current taxation of £1,641,299 we have, on this occasion, a cash surplus of £648,004; this substantial change arises in the main from a reduction in both the volume and value of stocks. Since the end of the year, our cash position has shown further improvement. The effect of the present penal rates of taxation on a company such as ours is severe, and I am glad that the present Government appreciates the absolute necessity of reducing the existing burden. In particular, I specially welcome the encouragement given to industry in the recent Budget, and I hope it will be found possible before long to modify or abandon profits tax, the whole of which so unjustly falls upon the holders of equity capital.

Your directors are recommending a final dividend of 8½ per cent, less tax, on the ordinary stock, making a total for the year of 12 per cent, less tax. This is the same total distribution as for 1951, when a dividend of 10 per cent and a bonus of 2 per cent were paid.

RICHARD COSTAIN, LIMITED

CONSIDERABLY IMPROVED LIQUID RESOURCES

MR R. R. COSTAIN ON THE WIDESPREAD ACTIVITIES

The twentieth annual general meeting of Richard Costain, Limited, was held on July 14th at Rodney House, Chichester Street, Dolphin Square, S.W.1, Mr. R. R. Costain, CBE (chairman and joint managing director), presiding.

The secretary (Mr L. Richards, ASAA) 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 consolidated profit and loss account for 1952 shows a small decrease in trading profits compared with the previous year; after provision for taxation and outside shareholders' interests the net balance of profit available to the parent company shows little variation from 1951. In addition, substantial capital profits have been realised during the year and transferred to capital reserve; your board has considered it prudent to appropriate £50,000 of these capital profits to reduce the book value of certain of the group properties. After making this appropriation, the capital reserves are increased during the year by £135,117.

The board has recommended the payment of a dividend of 10 per cent, less tax, on the ordinary share capital, and after transferring £50,000 to general reserve and £9,477 to capital redemption reserve, the balance carried forward on profit and loss account is virtually unchanged.

Shareholders will, I hope, be pleased with the new form in which the accounts are presented. This conforms with modern practice and I hope gives you a clearer indication of the financial strength of the organisation. It will be seen that there is a considerable improvement in the liquid resources of the company over the past 12 months. Nevertheless the magnitude of the group's operations require considerable working facilities and in these circumstances the directors have considered it wise to retain the level of distribution to shareholders established in recent years.

AT HOME

The large hydro-electric scheme at Garry in Northern Scotland is now well under way

It is also recommended that the general reserve of the company be increased by £300,000 to £1,150,000 and that the sum of £524,200 be carried forward to 1953.

PROSPECTS

For the first five months of this year the volume of our business has been running at about the same level as for the previous year, and so far as I can judge at this early stage, this level should be maintained. I expect improved results from some sections of our business offset by less satisfactory results from others, but over all we shall have done well if we are able to repeat the trading figures for last year. I feel that all responsible businessmen should welcome a return to steadier and less sensational conditions even although competition may be keener and profits lower. We are very much alive to the fact that the right response to this change of atmosphere is an intensification of effort to obtain greater all-round efficiency.

The report and accounts were adopted.

and progress is considered to be very satisfactory. The reservoirs at Usk and Weir Wood are nearing completion. Your company is actively engaged on flood remedial work on the East Coast.

Development is taking place with the Costain Wilson block, a form of pre-cast concrete construction to be used mainly in the erection of houses, two of which were presented last year to the Lynmouth Urban District Council as a contribution to their Flood Disaster Fund and which, with the collaboration of the Lynmouth Council, were erected and occupied in two months.

Building Activities.—The company are engaged on several advance forms of new tradition housing, and a considerable contribution has been made to the housing of coal miners by the use of Schindler housing. The company has again received public appreciation for completing the British European Airways Terminal contract ahead of contract time.

Opportunities are being sought to expand these sides of the contracting business in an economically satisfactory way, but I think shareholders should know that the volume of work being obtained at the present moment is not as high as one would have hoped.

The factories owned by your parent company, run by Costain Concrete, continue to expand and to lead the field in the development of pre-stressed concrete, and the Stahlton floor, which is the most modern form of fire-resisting construction and is rapidly gaining the appreciation of the industry.

I find it impossible to conclude the remarks on work in this country without referring once again to the property side of your company, which owing to rent restriction control is, as before, showing quite inadequate returns compatible with your investment, and I can only say as each year goes on this situation deteriorates owing to the continuous increased cost of repairs.

WORK ABROAD

East Africa.—It has been found uneconomic to continue in this area and we are in the process at the moment of closing down your company's activities here. The losses which must be faced in such a situation have

been provided for in the 1952 accounts.

Rhodesias.—In partnership with Clifford Harris and Partners, South Africa, the Hunyani Dam (which encloses an area of water as big as Windermere) was completed during the year and work in Southern Rhodesia has been considerably restricted owing to the financial stringencies in this country. It is hoped that developments will expand again when federation takes place. Your company has just completed the Ridge-way Hotel in Lusaka, Northern Rhodesia, possibly the most up-to-date and modern hotel on the African Continent.

West Africa.—The £4 million extension to the Apapa Wharf, and the Ijora Power Station contract, are making good progress and the Costain West Africa Company is making steady headway, in spite of political uncertainties.

Kuwait.—We have, in company with Abdulla Mullah Saleh, just completed the water distillation plant, and are actively engaged in other works including the erection of the new power station, for HH the Ruler of Kuwait.

Costain-John Brown, Limited.—Before dealing with the report of the above company, I would like to record the board's sympathy with the severe loss sustained by Costain-John Brown, Limited, through the death of the late Lord Aberconway.

Costain-John Brown, Limited, in partnership with American and British firms, is carrying out the £20 million refinery for the Anglo-Iranian Oil Company near Perth, Australia. This is the fifth refinery on which this company has been engaged. It also continues to expand in other fields of operation.

FUTURE PROSPECTS

In an organisation such as yours it is naturally impossible to be definite about future prospects, particularly in this modern age when situations are so easily affected by possible political disturbances. I can only repeat, as I have said in previous years, that your board is continuing to make every endeavour to keep abreast of current trends both at home and abroad, and to express their warm appreciation of the work of the staff during the past year.

The report and accounts were adopted and the dividend of 10 per cent, less tax, was approved.

The retiring directors—Mr J. W. Whiter, OBE, and Mr R. B. Minto—were re-elected and the remuneration of the joint auditors—Messrs James Worley and Sons and Messrs Peat, Marwick, Mitchell and Company—having been fixed, the proceedings terminated.

KILLINGHALL TIN, LIMITED

DIVIDEND 25 PER CENT

The twenty-third annual general meeting of Killinghall Tin, Limited, was held on July 10th in London, Mr Jack Addinsell, the chairman, presiding.

The following are extracts from his circulated statement for the year ended September 30, 1952:

Last year the general managers anticipated that prospects for the year under review would be favourable, and this has been borne out by the increase in tonnage of tin ore recovered by the dredge during the year from 465 tons to 621 tons. The profit, after allowing for depreciation, head office expenses, etc., amounted to £178,230.

An interim dividend of 15 per cent, was paid in February of this year and your direc-

(Continued on page iii of cover)

BRITISH INSURANCE

This Survey of the British Insurance industry differs from those of recent years in that it is entirely accommodated within the pages of The Economist itself. The statistical analyses that formerly appeared in Records and Statistics have been slightly changed in form, but not in scope; they provide with the articles a comprehensive study of every branch of the British insurance business.

Is Life Assurance Lagging?

LIFE Assurance offices provide one of the most important channels through which personal savings reach the Stock Exchange—indeed, together with the privately administered pension funds they are virtually the only channel of importance. Although the life and annuity funds (including industrial life funds) need all their present rate of growth of about £160 million a year merely to offset the annual drain on personal savings to pay death duties, this in no way detracts from their importance. But there is some evidence that insurance is no longer expanding as fast as in recent years—and not so fast as the need for savings requires.

Maintenance of the rate of growth of life office funds depends upon the flow of both life and annuity new business. The new business statistics that normally attract most attention relate to net new sums assured. For last year, they showed a further expansion, but of no more than 3½ per cent compared with increases of 19 per cent in 1951 and 10 per cent in 1950. But this is not necessarily the best test of expansion. The number of new policies issued gives a better idea of the volume of individual new policies taken out, as distinct from those issued under staff schemes, and the new annual premium income is the only satisfactory measure of new savings. On these two different criteria, there

are grounds for fearing that new ordinary life assurance business actually turned downwards in 1952. Moreover, the incomplete statistics so far available suggest that last year brought in lower new annual premiums for deferred annuity policies, and a considerable fall in consideration money for new immediate annuities.

These grounds for thinking that the postwar expansion of new life assurance is slackening call for reconsideration of the views that life assurance enjoys a natural expansion. One might ask, indeed, if its progress in recent years has really been as satisfactory as at first sight appears. Some American comparisons are instructive here. The Institute of Life Insurance (of New York) has calculated that the volume of life assurance in force at the end of 1950 was 110 per cent of one year's national income in Canada, 98 per cent in the United States and about 50 per cent in each of the United Kingdom, Holland and Switzerland; in other countries the proportion was lower. The discrepancy between the extent of life assurance cover in this country and in North America is, indeed, rather less glaring than these figures suggest, for endowment assurances are overwhelmingly the most popular form of contract here, whereas in America and Canada other types of policy that secure a

materially larger sum assured for a given premium constitute the bulk of the business. But it is, nevertheless, clear that by North American standards, people in this country are much under-insured. Nor is there much consolation in the fact that the volume of life assurance in force in this country is roughly in line with that in other leading Western European countries for they have had sickening experiences of the fate of money contracts that Britain has not experienced. Last year's new business, despite its large record amount, makes a poor comparison with the volume secured before the war, if allowance is made for the intervening fall in the purchasing power of money. Total new sums assured in the United Kingdom in industrial and ordinary life assurance together were last year probably of the order of £900 million, compared with £463 million in 1938. But in those fourteen years the national income has more than doubled from £5,000 million to £13,500 million. There has been little expansion in industrial new sums assured during the same years, and if ordinary life assurance figures alone are compared and adjusted for the movement of prices last year's total of ordinary new business can be put at £200 million in terms of 1938 £'s, compared with £243 million worth of new business secured in 1938.

This lack of buoyancy in last year's new business is the more surprising because it occurred in a year of widespread improvements in the terms of non-participating life assurance policies and bigger benefits from with-profit contracts. These advantages for proposers and policy holders owed much to the active competition between some eighty British and Commonwealth offices transacting new business in this country; as soon as it became clear that the rise in interest rates was not a passing phase, a great part of the improvement in the average yield on newly invested money was passed on to the public in bigger benefits or lower premiums for new life policies and for annuities. As a rule, premium rates for with-profit policies were not changed, since improved earnings on participating funds are reflected in higher bonuses to the holders of existing policies. But the question remains: Why, when the life offices were able to put before the public the most attractive terms since 1939, was life assurance more difficult to sell last year than at any time since the end of the war?

There may be an answer—and it is not a very consoling one—in the fact that business was most sluggish earlier in the year, and picked up in the autumn, when economic recovery had already gone some way. The fact is that new business in ordinary life assurance falls into three broad categories: individual policies for quite modest amounts; large policies taken out with the object of minimising the impact of surtax or estate duties; and the life assurance part of staff schemes, usually taking the form of group life assurance. The first category forms the hard core of new business, and the amount taken up each year is probably fairly constant; such evidence as there is gives no indication that individual

policies are expanding to any material extent. New business under the other two headings, which accounts for a considerable and increasing proportion of the whole, seems to depend on the buoyancy of business and industrial profits; that seems to be a fair deduction from the boom in such insurances since the war, and from the check that they experienced last year. It may well be that industrialists feel less inclined to enter into long term commitments when their paper profits are falling. If so, last year's slowing down in new life assurance business may have some direct connection with the slowing down of inflation.

To those who have come to regard insurance as one of the few bulwarks of private saving that still survives to check inflation, the signs that insurance business itself is fed by its very forces will be disconcerting. The increase in popularity of staff pension schemes effected with life offices—and also those administered by private trustees—evidently owes much to postwar inflation and the high taxation that has accompanied it. And last year's fall in new premiums for deferred annuities, which are largely connected with new staff pension schemes, may well have been a symptom of a contrary disinflationary cause. A substantial volume of pension scheme new business was, indeed, transacted last year. But there can be little doubt that the commitments of employees to pay annual contributions under pension schemes (and the cheap life assurance cover that is often associated with them) has already made a sizeable dent in the market for individual new life assurance. Members of such schemes enjoying quite high gross incomes often have little to spare for individual assurance after they have made in addition repayments under house purchase mortgages. The market for new individual assurance seems destined to grow steadily smaller and the offices have made their dispositions to meet a fall, for nearly all of them now transact scheme business, though comparatively few did so as recently as 1945. The scope for starting new staff pension and life assurance schemes is still considerable, but much business has been undertaken in a mere five years and new schemes will in future need increasingly to attract employers who for various reasons are not over ready to commit themselves to long term contractual liabilities.

All these considerations suggest that the life assurance business is likely to become more competitive as the offices go out to maintain—and increase, if they can—the volume of assurance and annuities that they have sold in recent years. They are hoping that Mr Millard Tucker's second report will open up a new field where self-employed people and controlling directors of companies, who now have to make what provision they can for their retirement out of taxed income, will have extended to them the substantial tax advantages that are at present available only to employees. If the report recommends such changes—and if they are implemented—the life offices might expect a valuable source of new business.

Insurance Investment Policy

LAST year provided a full crop of problems for insurance investment managers. Most of the considerable amount of ground lost in the market in the first six months had been regained by the year-end, but investments held in this country (these comprise the bulk of the assets held by the life funds and about a third of the general funds) can hardly have escaped further depreciation. On the distribution of assets at the end of 1951, shown in Table I overleaf, the net depreciation last year suggested by the movements of the Actuaries' Investment Index might have been of the order of 2 per cent of the total. Two and a half per cent Consols fell during 1952 by 4.8 per cent, 3 per cent Savings Bonds 1960-70 by 1.3 per cent, debentures by 2.1 per cent, preference shares by 2.2 per cent and ordinary shares by 4.2 per cent.

Last year's depreciation came on top of five lean years; since the bursting of the Daltonian bubble only in 1950 was any measure of appreciation recorded in British security values. Few life offices can still retain appreciable investment reserves, either hidden or disclosed. This situation might at first blush seem a little disturbing. But in fact when an increase in the market rate of interest is firmly established, life offices can with complete propriety similarly raise the rate of interest assured in their actuarial valuations. This has the effect of calling for smaller reserves thus releasing funds which can be used to make good any deficiency on investments. In making such transfers, they are limited by certain restrictions—for example, the distribution of the maturity dates of the assets should approximately match the incidence of the future liabilities and any investment deficiency between market and book values (less existing reserves) to be covered by transfers from actuarial reserves that are released must proceed from a change in interest rates and not from any deterioration in the intrinsic value of the assets.

No such convenient adjustment is possible in the amount of the liabilities under non-life insurance business. Perhaps 70 per cent of the whole of the general business is transacted overseas or in London on foreign account. Because of unstable currencies and the statutory requirements of many foreign countries, overseas liabilities are normally adequately covered by assets in each individual country. In the most important market of all, North America, local requirements are so stringent that the reserves against unexpired risks and unsettled claims have by law to be materially larger than past experience or British practice would demand. In effect, the offices have had to maintain surplus dollar assets, and they have enjoyed an uncovenanted appreciation on them, expressed in terms of sterling, from the devaluation of the pound. This factor has helped the companies to give the statutory certificate required by the Assurance Companies Act, 1909, that in the aggregate the assets are fully of the value stated in

terms of sterling. Nevertheless, the fall in the market value of high-grade dollar bonds since the end of 1950 has been so considerable—US 2½ per cent Treasury Bonds 1962/67, for example, fell by 4.5 per cent in 1951, by 0.3 per cent in 1952 and by a further 3.3 per cent during the first half of this year—that sterling investment reserves in the non-life funds must have experienced a severe pruning. There is, however, no reason to think that they are exhausted, and in any case, the offices have ample free reserves. Home investments held by non-life funds can hardly have escaped considerable depreciation in the last few years, but a substantial proportion is invested in relatively short-dated fixed interest stocks; on these the current effects of higher interest rates will be less severe.

Life office reports for 1952 showed less signs of strain from investment depreciation than did those for 1951. Some further adjustments were, however, made to the bases adopted for actuarial valuations. Of these, the most important (because of the magnitude of the figures involved, rather than the degree of the change) was that of the Prudential, which released £9½ millions from the ordinary life branch actuarial reserves and £9½ million from those of the industrial branch. These amounts were written off assets totalling £684.1 million, leaving branch contingency funds of £7 million and £12 million, respectively, intact at the end of the year. So far this year, a modest appreciation in the market value of insurance holdings in this country has been offset by a decline in the prices of American and Canadian bonds and shares.

★

It has been suggested in several quarters that the insurance companies are too cautious in their approach to investment in industrial risk capital. The Life Offices' Association, the Associated Scottish Life Offices and the Industrial Life Offices recently published a statement that emphasises, very properly, that the first duty of the life offices is towards their policyholders. They are in the position of trustees and it is not their business to take an equity stake in speculative or untried enterprises. Some of the criticisms, however, seem to ignore the fact that they invest large sums in British industrial equities and also in loans of various kinds (including the purchase of freehold properties that are subsequently leased to the original owner for a long term). In particular, the life offices are staunch supporters of sound new issues.

Table I shows that the composition of insurance portfolios underwent further changes in 1952. Although the actual amount invested in British Government securities was virtually unchanged, the proportion of total assets in gilt-edged again fell sharply, from 32.4 per cent to 30.6 per cent. Mortgages rose by £51.4 million

ANALYSIS OF INSURANCE INVESTMENTS AND INTEREST RATES

TABLE I.—DISTRIBUTION OF INSURANCE ASSETS
TOTAL CONSOLIDATED ASSETS OF 44 OFFICES

Class of Assets	1950	1951	1952
	per cent	£ million	per cent
Mortgages, in cl. policy loans	10.1	349.2	11.2
British Government and Government guaranteed securities	35.4	1,006.8	32.4
British Municipal and County and Overseas Government and Municipal securities	11.1	338.5	10.9
Debt Securities	10.3	341.3	11.0
Preference Shares	7.7	233.5	7.5
Ordinary Shares	10.4	338.2	10.9
Other investments	1.5	44.9	1.4
Property	6.1	207.6	6.7
Cash, agents' balances, etc.	7.4	248.5	8.0
Total Assets of 44 Offices	100.0	3,108.5	100.0

TABLE II.—PERCENTAGE DISTRIBUTION OF LIFE, ANNUITY AND SINKING FUND ASSETS OF 42 OFFICES—END 1952

Company	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debt Securities	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
15 Mutual Life Offices									
Equitable	14.1	18.5	6.7	19.0	7.2	11.0	11.7	8.9	2.9
Friends' Provident (a)	25.7	12.6	2.4	18.8	7.3	13.1	6.0	6.9	7.2
London Life	15.8	37.3	5.9	8.3	6.4	13.6	...	10.5	2.2
Marine & General	14.7	18.6	3.6	10.5	17.2	18.7	...	13.3	3.4
National Mutual	17.8	19.3	3.2	15.1	12.6	16.1	...	12.0	3.9
National Provident	13.9	12.9	6.3	15.4	13.0	23.9	0.1	11.0	3.5
Norwich Union	50.0	11.9	6.7	3.9	0.9	3.3	6.3	13.8	3.2
Provident Mutual	5.3	34.6	4.7	13.1	14.0	20.9	...	2.3	5.1
Scottish Amicable	14.5	35.8	2.8	10.3	8.5	19.9	...	3.0	5.2
Scottish Equitable	24.8	21.5	2.4	13.3	9.4	23.7	...	1.1	5.8
Scottish Mutual	14.8	22.5	2.7	10.4	18.4	14.9	2.5	7.8	6.0
Scottish Provident	5.6	37.6	6.1	13.7	12.2	15.9	0.1	6.0	2.8
Scottish Widows	7.7	24.3	5.2	11.1	14.3	30.4	0.8	3.2	3.0
Standard	6.8	24.5	10.8	20.3	9.6	20.1	5.9	6.5	1.5
UK Provident	10.6	9.1	17.1	4.9	7.1	23.8	0.3	24.9	2.2
Average	18.4	22.1	7.1	12.4	8.7	17.1	3.4	7.6	3.2
4 Proprietary Life Offices									
Clerical, Medical & General	18.5	10.1	1.0	5.5	5.1	16.1	27.9	12.5	3.3
Equity & Law	10.7	17.8	2.6	16.3	10.7	23.3	11.2	5.1	2.3
Scottish Life	10.7	20.4	1.4	15.8	22.9	23.4	...	1.1	4.3
Sun Life	27.3	32.1	3.8	24.9	2.8	4.7	...	1.6	2.8
Average	20.8	24.5	2.9	19.3	6.6	12.2	6.8	4.0	2.9
7 Industrial-cum-Ordinary Life Offices									
Britannic	22.1	44.4	4.9	3.9	3.6	15.4	0.1	1.9	3.7
Co-operative (b)	25.2	45.5	3.2	3.1	3.7	5.7	4.3	5.1	4.2
Pearl (b)	3.0	43.6	10.4	12.9	7.8	13.8	0.1	4.3	4.1
Prudential (b)	5.4	42.9	6.0	13.8	6.9	11.4	0.3	9.6	3.7
Refuge	16.6	42.4	5.4	11.0	13.2	6.8	...	1.3	3.3
Royal London Mutual	9.7	42.7	6.9	8.1	13.4	13.3	...	3.1	2.8
Wesleyan & General	29.0	42.1	5.1	5.6	11.1	...	...	4.8	2.3
Average	9.8	43.2	6.4	11.2	7.8	10.9	0.5	6.5	3.7
16 Composite Offices (c)									
Alliance	11.1	35.9	4.3	27.8	8.4	6.4	...	2.1	4.0
Atlas	20.6	26.8	4.4	14.0	8.5	12.2	0.2	9.7	3.8
Caledonian	17.7	37.7	3.6	7.2	6.8	18.7	...	5.0	3.3
Commercial Union	14.6	31.6	5.5	16.3	9.3	11.2	...	8.1	3.4
Eagle Star	12.6	33.6	3.3	7.1	8.9	20.1	0.4	10.8	3.2
Guardian	33.1	12.4	1.2	11.7	9.2	19.2	...	8.9	4.3
Law Union & Rock	26.3	34.8	7.3	8.2	6.9	6.4	...	5.5	4.6
Legal & General (b)	18.9	19.1	6.1	7.9	4.6	6.4	0.2	29.9	6.9
Liverpool & London & Globe	5.9	48.8	6.3	14.7	4.4	13.6	...	4.2	2.1
London Assurance	38.7	13.7	2.3	13.1	10.2	15.0	...	4.4	2.6
North British & Mercantile	22.2	43.1	11.2	5.9	3.2	7.3	1.3	1.1	4.7
Northern	21.7	18.5	7.1	19.0	10.8	16.7	...	1.1	5.1
Phoenix	21.4	34.2	6.1	11.5	5.8	12.2	...	6.0	2.4
Royal	8.6	49.9	12.0	11.5	3.0	11.3	...	0.7	3.0
Royal Exchange	12.1	12.0	5.7	35.7	9.6	12.2	0.4	7.1	5.2
Yorkshire	25.8	31.2	2.6	1.9	2.6	12.0	10.8	8.8	4.3
Average	18.3	28.7	6.1	11.8	6.3	10.8	0.7	12.6	4.7
Average of 42 Offices	14.2	34.4	6.2	12.1	7.8	12.3	1.5	8.0	3.8

(a) Excluding Century assets. (b) Including fire, accident, etc., assets (which in no case exceeded 5 per cent of the total assets). (c) Excluding sinking fund assets.

TABLE III.—PERCENTAGE DISTRIBUTION OF ASSETS OTHER THAN LIFE AND ANNUITY ASSETS OF 16 OFFICES—END 1952

Company	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debt Securities	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Alliance	12.4	24.9	11.1	8.9	5.5	6.8	0.1	5.3	25.0
Atlas	7.8	8.4	27.6	9.0	1.6	9.9	0.3	4.7	35.1
Caledonian	0.2	17.1	23.2	6.5	4.0	2.4	...	3.2	43.4
Commercial Union	2.1	15.6	26.8	7.9	6.7	11.0	...	3.3	26.6
Eagle Star	5.9	4.1	14.9	5.7	5.6	31.6	1.7	7.2	23.3
Employers' Liability	...	4.2	51.8	8.9	1.1	6.6	1.7	2.8	22.9
Guardian	5.4	12.6	16.6	7.9	4.5	11.4	...	4.7	36.9
Liverpool & London & Globe	3.0	9.2	51.8	5.6	5.6	5.7	0.5	0.7	17.9
London & Lancashire	2.8	13.2	32.3	6.1	5.8	5.7	...	3.9	30.2
London Assurance	3.7	13.6	18.3	10.9	5.6	10.1	3.6	4.7	29.5
North British & Mercantile	0.9	18.6	35.0	9.0	5.5	6.7	2.4	1.4	20.5
Northern	1.0	19.6	19.2	10.1	5.2	7.9	...	2.0	35.0
Phoenix	3.6	9.1	29.0	14.4	5.8	6.7	0.2	5.3	25.9
Royal	2.9	14.7	44.9	5.6	5.2	6.0	1.7	2.3	16.7
Royal Exchange	2.4	21.9	22.5	9.2	2.1	4.3	0.5	1.6	35.5
Yorkshire	5.9	21.4	21.2	6.3	4.0	6.4	...	6.0	28.8
Average of Non-Life Assets of 16 Offices	3.2	14.3	31.1	8.2	4.9	8.1	0.8	3.3	26.1

TABLE IV.—RATES OF INTEREST PER CENT
LIFE AND ANNUITY FUNDS OF 42 OFFICES

Company	NET	GROSS
	1950 1951 1952	1950 1951 1952
Mutual		
Equitable	3.72 3.84 4.06	4.78 4.61 4.92
Friends' Provident	4.64 4.72 4.42	5.38 5.50 5.51
London Life	3.28 3.38 3.42	4.46 4.57 4.69
Marine & General	4.00 3.88 4.00	4.55 4.80 4.85
National Mutual	3.65 3.86 4.00	4.84 5.08 5.16
National Provident	4.28 4.57 4.74	5.75 6.22 6.36
Norwich Union	3.83 3.88 4.02	4.34 4.40 4.55
Provident Mutual	3.54 3.65 3.82	4.50 4.74 4.79
Scottish Amicable	3.72 4.06 4.33	4.44 4.82 4.99
Scottish Equitable	3.75 3.81 4.10	4.49 4.84 5.07
Scottish Mutual	3.49 3.90 4.16	4.49 4.88 5.02
Scottish Provident	3.48 3.77 3.99	4.59 4.88 5.02
Scottish Widows	3.90 4.10 4.18	5.13 5.34 5.35
Standard	3.92 4.07 4.12	4.12 4.34 4.50
United Kingdom Provident	3.96 4.25 4.29	5.45 5.77 5.86
Average	3.81 3.98 4.11	4.79 5.00 5.12
Proprietary		
Clerical, Medical & General	3.64 4.05 3.91	4.61 5.10 5.11
Equity & Law	4.08 4.47 4.93	4.95 5.25 5.88
Scottish Life	3.73 3.89 4.17	4.46 4.67 4.79
Sun Life	3.15 3.36 3.48	3.82 4.04 4.22
Average	3.65 3.95 4.12	4.46 4.76 5.00
Industrial-cum-Ordinary (a)		
Britannic	3.13 3.18 3.29	4.12 4.26 4.38
Co-operative	3.26 3.34 3.37	3.77 3.86 4.09
Pearl	3.48 3.63 3.67	4.46 4.61 4.76
Prudential	3.55 3.81 3.97	3.99 4.20 4.59
Refuge	3.30 3.38 3.43	4.15 4.26 4.38
Royal London Mutual	3.09 3.33 3.41	3.92 4.11 4.35
Wesleyan & General	3.21 3.44 3.55	3.80 4.02 4.20
Average	3.29 3.45 3.52	4.03 4.19 4.39
Composite		
Alliance	2.82 3.02 3.06	4.22 4.40 4.45
Atlas	3.27 3.62 4.08	4.04 4.40 4.62
Caledonian	3.15 3.47 3.47	4.25 4.50 4.54
Commercial Union	3.11 3.16 3.48	4.06 4.17 4.34
Eagle Star	3.59 3.74 3.92	4.29 4.48 4.73
Guardian	3.90 4.13 4.26	4.69 4.87 5.00
Law Union & Rock	3.31 3.40 3.51	4.10 4.18 4.31
Legal & General	3.54 3.88 3.92	3.87 4.41 4.39
Liverpool & London & Globe	3.02 3.05 3.20	3.87 4.21 4.39
London Assurance	3.30 3.35 3.41	4.20 4.21 4.51
North British & Mercantile	2.79 2.97 2.95	3.94 4.02 4.15
Northern	3.17 3.22 3.48	4.22 4.39 4.46
Phoenix	2.91 3.17 3.22	4.12 4.42 4.58
Royal	3.26 3.31 3.47	4.13 4.25 4.35
Royal Exchange	3.12 3.43 3.60	4.28 4.69 4.85
Yorkshire	3.47 3.83 3.92	4.33 4.31 4.45
Average	3.23 3.42 3.56	4.21 4.38 4.51
Average of 42 Offices	3.40 3.68 3.80	4.41 4.61 4.78

(a) Excluding industrial life funds.



INCORPORATED BY

ROYAL CHARTER 1720.

In the wide field of Insurance at Home and Overseas the Corporation of the Royal Exchange Assurance offers a valuable service as one of the oldest and most progressive of the British Insurance Offices.

Governor:

THE RIGHT HON. LORD BICESTER.

ROYAL EXCHANGE ASSURANCE

HEAD OFFICE AT THE ROYAL EXCHANGE, LONDON.

Branches and Agencies throughout the United Kingdom and Overseas

COMMERCIAL UNION ASSURANCE COMPANY LIMITED



ALL CLASSES OF INSURANCE TRANSACTED

Prospectuses may be obtained on application to the Head Office of the Company, 24, CORNHILL, LONDON E.C., or to any Branch Office throughout the country.



Incorporated by Royal Charter

A.D. 1720

THE LONDON ASSURANCE

Very good people to deal with

FOR ALL KINDS OF INSURANCE

LIFE • FIRE ACCIDENT • MARINE

HEAD OFFICE:
1 KING WILLIAM STREET, LONDON, E.C.4
MARINE DEPT:
157 LEADENHALL STREET, LONDON, E.C.3

From the ashes...



On the night of the 2nd September, 1666, a small fire started in Pudding Lane. In three days it devastated all but 75 of London's 373 acres, destroyed 13,200 houses, 89 parish churches and old St. Paul's Cathedral.

But despite the tragic loss of life and property, the fire was a blessing to London. It destroyed a vermin-infested, plague-ridden, unsanitary and badly planned city and allowed Christopher Wren to replan its streets and rebuild its churches.

As a result of this and similar fires the Sun Fire Office was established in 1710—laying the foundation of the great reputation which the "SUN" holds to-day for insurance service of all kinds.



The Centuries-old Sign of Public Service

Head Office: 63, Threadneedle Street, E.C.2
Branches and Agencies throughout the World



Insurance Service

By placing all your insurances through one organisation you can save yourself much time, trouble and inconvenience.

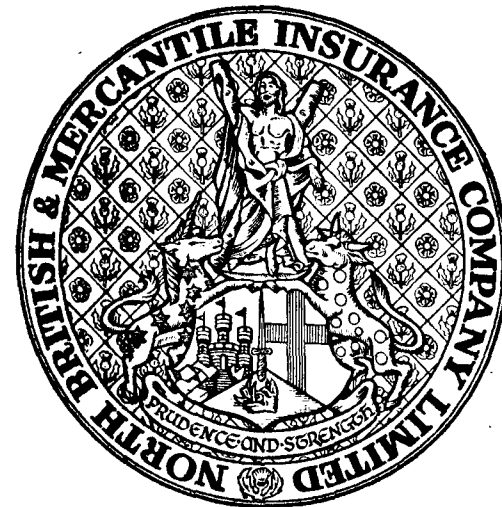
The Pearl Assurance Company's Life, Fire and Accident Branches are at your service.

Funds held for the protection of policyholders exceed one hundred and ninety-five million pounds.

PEARL

ASSURANCE COMPANY LIMITED

Chief Offices: High Holborn, London, W.C.1



for a
**Complete Insurance
Service**

61 THREADNEEDLE STREET, LONDON, E.C.2
64 PRINCES STREET, EDINBURGH, 2

ALLIANCE ASSURANCE COMPANY LIMITED



Established 1824
Head Office: Bartholomew Lane
London, E.C.2, England

**THE FINEST SERVICE FOR ALL
CLASSES OF INSURANCE**

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.

HOME SERVICE with SECURITY

insurance plans
to meet all
modern needs

BRITANNIC
ASSURANCE COMPANY LIMITED

Branch Office
BROAD ST. CORNER, BIRMINGHAM, 1

and debentures by £32.2 million; together they accounted for nearly half of last year's increase in total assets. The popularity of mortgages has been the most prominent feature of insurance investment policy in recent years. Preference shares remained friendless. Ordinary shares rose by £39.5 million to £377.7 million (11.5 per cent of total assets) and property by £26.7 million (to 7.1 per cent of total assets). Out of total assets of £3,289.3 million, perhaps £400 million was invested abroad, mainly in Government stocks and other bonds, or held in cash or its equivalent to cover foreign fire, accident and marine liabilities and perhaps £200 million to cover overseas life assurance and annuity liabilities. The distribution of the assets between the various categories shown in the table had in earlier years been distorted by different margins that existed between the book and market values; but such differences must have largely disappeared by the end of last year.

Separate analyses have again been made of the life and annuity assets of the leading offices and of their non-life assets. In the latter, the substantial overseas fire, accident and marine business is reflected in the investment of 31.1 per cent of non-life assets (see Table III) in overseas Government and home and overseas near gilt-edged stocks. This group, together with British Government securities, cash and debit balances accounted last year for no less than 71.5 per cent of the non-life assets, compared with 48.6 per cent of the life department assets.

Life Assurance Trends

NET new ordinary sums assured in 1952 at home and overseas by offices established in the United Kingdom and in this country by the dozen or so Commonwealth offices that transact business here, were of the order of £750 million—about 3½ per cent above the previous record set up in 1951. Overseas new business (including that transacted in Eire), accounted for 13 per cent of the total new business of the British offices in 1950 (the latest year for which comprehensive statistics are available); it continues to expand faster than home business. It would seem that both the number of new ordinary life assurance policies issued last year and the new annual premiums that they produce were lower than in 1951; an ever-larger proportion of the new sums assured takes the form of group life policies, each of which covers a number—sometimes a considerable number—of lives at low rates of premium. The new annual premium income under deferred annuity contracts (which are associated largely with the pension scheme business transacted by the life offices) was also lower last year than in 1951. Taken together, these results suggest that 1952 witnessed a check to the rapid postwar expansion of new life business. The progress of life and annuity business is, however, more realistically measured by the increase of the life and annuity funds; this increase amounted to £101.8 million in 1950; it was probably rather higher in 1951, and about £125 million last year—after taking account of transfers to investment reserves in each of the last two years.

Statistics published by the Life Offices' Association and the Associated Scottish Life Offices, which are thought to cover 98 per cent of the total life and annuity business,

The yield calculations in Table IV have been expanded this year to include gross as well as net earnings on the life assets of a large sample of the leading offices. The gross and net yield for each office may be considered together; the gross yield can be taken as the more direct indicator of the rate of return on the invested funds, but the net yield is important as the measure of the annual rate at which interest income is actually accruing. The effective rate of taxation borne by the different offices varies widely, according to the composition of the business. Broadly, interest income from home life assurance reserves is taxed at 7s. 6d. in the £, that from annuity reserves escapes income tax (although annuity profits are taxed) and overseas life funds (for some offices these form a significant proportion of their total assets) are normally exempt from British income tax.

Considerable variations are apparent in these investment yields, net and gross. The mutual and proprietary life offices show a range from 6.36 to 4.22 per cent gross and from 4.93 to 3.42 per cent net. The ranges for the industrial and composite companies were from 5.00 to 4.09 per cent gross and from 4.08 to 2.95 per cent net. Exceptionally high gross yields would suggest a fairly marked departure from the more conventional investment policy, with the largest scope for such departure presumably in ordinary shares. A comparison between Tables II and IV suggests such examples.

show that premiums attributable to "scheme" life assurance and pension contracts in 1951 totalled £71.4 million, representing 31.5 per cent of annual premiums of £226.7 million. Demand for ordinary immediate annuities and for split annuities fell off last year, although virtually all the offices offered more attractive terms to purchasers; the leading offices received £17.8 million purchase money compared with £23.0 in 1951 and £18.4 in 1950. As will be seen from Table IV on page 220, the net yield on the life and annuity funds of the leading offices last year was 3.80 per cent, compared with 3.68 per cent in 1951 and 3.49 per cent in 1950. New money is now being invested on somewhat less favourable terms than last year and further substantial transfers from life and annuity funds to investment reserves (these have the effect of increasing the indicated yield on the funds) seem less likely than in either 1952 or 1951; there will however probably be a modest further rise in yields this year. Last year's average yield of 3.80 per cent compares with an average rate of interest underlying the 1952 valuations of the offices included in Table V of about 2½ per cent (approximately the same as in 1951); a margin of 1 to 1½ per cent between the assumed and earned rate of interest is normal in valuations on the net premium basis—that is the basis adopted by most of the offices—as an implicit foundation for future bonuses on with-profit policies. Expenses of management were held in check last year; the average adjusted expense ratio of 14 per cent for the leading offices was virtually the same as in the two previous years.

The most important factor in life office valuations is the assumed future net rate of interest on the invested reserves;

TABLE V.—LIFE VALUATIONS (£'000)

Company	Year of Valuation	Brought Forward	Trading Profit	Investment Profits	Total Surplus	To Policyholders	To Shareholders	To Staff Pensions	Investment Reserves etc.	Carried Forward	Bonus Declared per cent
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Annual Valuations											
Britannic:—											
(a) Ordinary Branch	1951	277	826	...	1,103	625	69	20	100	289	28/- s
	1952	289	940	...	1,229	709	79	20	100	321	30/- s
(b) Industrial Branch	1951	671	1,491	...	2,162	800	200	180	300	682	
	1952	682	1,662	...	2,344	860	200	180	300	804	
Co-operative:—											
(a) Ordinary Branch*	1951	436	1,939a	...	2,375a	1,081	...	...	1,118	176	28/- s
	1952	176	1,478	3	1,657	1,288	...	...	150	219	32/- s
(b) Industrial Branch*	1951	413	5,750a	...	6,163a	1,100	...	...	4,887	176	
	1952	176	2,045	7	2,228	1,202	...	...	800	226	
London Life	1951	141	481	...	622	401	...	14	13	194	34/- c ⁽¹⁾
	1952	194	474	...	668	417	...	14	63	174	36/- c ⁽¹⁾
London & Manchester:—											
(a) Ordinary Branch*	1951	195	2,019a	...	2,214a	18	5	17	1,650	524	Nil
	1952	524	618	...	1,142	456	20	20	...	646	28/- s
(b) Industrial Branch*	1951	404	1,695a	...	2,099a	89	85	58	1,465	402	
	1952	402	595	...	997	297	103	60	...	537	
Pearl:—											
(a) Ordinary Branch	1951	940	1,953	...	2,893	1,390	155	117	250	981	32/- s ⁽²⁾
	1952	981	2,159	...	3,140	1,593	177	116	280	974	35/- s ⁽²⁾
(b) Industrial Branch	1951	819	2,602	...	3,421	1,566	550	483	...	822	
	1952	822	2,849	...	3,671	1,607	550	479	200	835	
Provident Association of London	1951	580	218	...	798	82	40	...	56	620	25/- s
	1952	620	244	...	864	81	32	...	155	596	25/- s
Prudential:—											
(a) Ordinary Branch†	1951	502	6,676	...	7,178	5,040	560	...	1,080	498	30/- s ⁽²⁾
	1952	498	8,077	...	8,575	5,719	594	...	1,670b	592	34/- s ⁽²⁾
(b) Industrial Branch†	1951	945	9,920	...	10,865	7,092	788	...	1,970	1,015	
	1952	1,015	11,129	...	12,144	7,596	789	...	2,650b	1,109	
Refuge:—											
(a) Ordinary Branch*†	1951	225	2,184a	...	2,409a	75	9	123	800	1,402	Nil
	1952	1,402	2,256a	...	3,658a	1,200	100	143	1,000	1,215	26/- s
(b) Industrial Branch*	1951	105	4,194a	...	4,299a	100	25	572	3,000	602	
	1952	602	2,132	...	2,734	550	80	582	675	847	
Salvation Army:—											
(a) Ordinary Branch*	1951	36	132	...	168	99	19	...	20	30	26/- s
	1952	30	146	...	176	100	15	...	36	25	26/- s
(b) Industrial Branch	1951	51	201	...	252	39	83	4	100	26	
	1952	26	200	...	226	49	60	10	80	27	
Wesleyan & General:—											
(a) Ordinary Branch*†	1951	75	307	1	383	206	...	19	96c	62	25/- s
	1952	62	337	4	403	234	...	19	88d	62	28/- s
(b) Industrial Branch*	1951	63	204	1	268	50	...	85e	71c	62	
	1952	62	268	6	335	50	...	91e	134	60	
Biennial Valuation											
National Mutual†	1949-1950	144	386	...	530	353	...	6	65	106	32/6c ⁽²⁾
	1951-1952	106	491	...	597	412	...	12	73	100	36/- c ⁽²⁾
Triennial Valuations											
Atlas†	1947-1949	32	691	33	756	385	43	15	275	38	25/- c
	1950-1952	38	1,012	26	1,076	508	57	22	449	40	35/- c
Equity & Law	1947-1949	164	983	48	1,195	665	74	185	100	171	38/- s ⁽²⁾
	1950-1952	171	1,453	...	1,624	952	106	40	300	226	44/- s ⁽²⁾
Standard†	1947-1949	30	1,956	...	1,986	1,805	...	149	...	32	33/- c
	1950-1952	32	3,692a	...	3,724a	2,801	...	141	750	32	37/6c
Quinquennial Valuations											
Commercial Union†	1943-1947	197	2,406	...	2,603	1,837	204	...	300	262	32/6c ⁽²⁾
	1948-1952	262	3,439	...	3,701	2,317	257	...	800	327	37/6c ⁽²⁾
National Farmers' Union	1943-1947	52	221	20	293	263	...	...	...	30	20/- s
	1948-1952	30	776	...	806	622	...	...	135	49	30/- s ⁽²⁾
Scottish Equitable†	1943-1947	344	871	4	1,219	970	...	...	80	169	36/- c ⁽²⁾
	1948-1952	169	1,395f	6	1,570f	1,177	...	...	...	393	34/- c
Scottish Mutual	1943-1947	490	533	...	1,023	694	...	...	270	59	25/- s ⁽²⁾
	1948-1952	59	655	...	714	632	...	...	...	82	30/- s ⁽²⁾
TOTALS											
Annual Valuations											
(a) Ordinary Branch	1951	3,407	16,735a	1	20,143a	9,017	857	310	5,183	4,776	
	1952	4,776	16,729a	7	21,512a	11,797	1,017	332	3,542	4,824	
(b) Industrial Branch	1951	3,471	26,057a	1	29,529a	10,836	1,731	1,382	11,793	3,787	
	1952	3,787	20,880	12	24,679	12,211	1,782	1,402	4,839	4,445	
Biennial Valuation											
	1949-1950	144	386	...	530	353	...	6	65	106	
	1951-1952	106	491	...	597	412	...	12	73	100	
Triennial Valuations											
	1947-1949	226	3,630	81	3,937	2,855	117	349	375	241	
	1950-1952	241	6,157a	26	6,424a	4,261	163	203	1,499	298	
Quinquennial Valuations											
	1943-1947	1,083	4,031	24	5,138	3,764	204	...	650	520	
	1948-1952	520	6,265	6	6,791	4,748	257	...	935	851	

* Valuation basis changed 1951. † Valuation basis changed 1952. (a) Including an unspecified sum released from actuarial reserves. (b) In addition £9½ million in the ordinary branch and £9½ million in the industrial branch were released from actuarial reserves and transferred to investment reserves. (c) In addition £289,000 in the ordinary branch and £1,173,000 in the industrial branch were released from actuarial reserves and transferred to investment reserves. (d) In addition £128,000 was released from actuarial reserves and transferred to investment reserves. (e) Including £25,000 in 1951 and £30,000 in 1952 outdoor staff bonus. (f) Including £230,000 released from actuarial reserves. (1) In an alternative class bonuses take the form of reductions in premiums. (2) On United Kingdom policies; different rates apply overseas. (3) Rate applicable to endowment assurances; a higher rate of bonus is paid on whole life assurances. (4) Minimum rate; bonuses are on a sliding scale. Additional bonuses at the rate of 18s. % and 24s. % of existing bonuses were allotted in 1949 and 1952 respectively. (5) Current series only; for policies issued prior to 1940 bonuses are on a sliding scale. (6) The 1947 bonus distribution included a non-recurring contribution from the exceptionally large carry forward during the war. s=simple bonus, calculated with reference to the sum assured only. c=compound bonus, calculated upon the sum assured and existing bonuses.

the other major assumptions are the future rates of mortality (the continuing lightening of which favours the offices in life assurance business and works against them in annuity business) and expenses of management. In order to deal with depreciation in the market value of the assets, the bases of the actuarial valuations of the offices marked * or † in the table were modified in 1951 or 1952 respectively by assuming a higher rate of interest than at the previous valuation. Amounts released from actuarial reserves in this way are almost invariably transferred to other reserve accounts. Because a substantial proportion of life office assets is invested in dated stocks that need not be realised whilst the funds are expanding and will in due course be paid off at par, a large part of the substantial sums written off in the last two years will in due course be recovered.

Wherewithal for Higher Dividends

LAST year the rate of expansion of the premium income of the British insurance offices slowed down. Aggregate fire, accident and marine premiums of twenty leading offices included in Table VI rose by 10.5 per cent from £399.4 million to £441.4 million; in 1951 the rate of increase was 15.0 per cent and in 1950 14.8 per cent. The life and annuity premium income also rose by rather less than in 1951. But total premium income in 1952, including ordinary and industrial life assurance, of all United Kingdom registered offices and of Lloyd's underwriters, must have considerably exceeded the landmark of £1,000 million passed in the previous year.

Net fire, accident and marine profits—that is to say, the underwriting profits of these twenty offices—amounted to £5.5 million, a result appreciably better than in 1951, when underwriting profits dipped to £3.0 million, representing no more than 0.7 per cent of premiums. These underwriting results are struck after overhead expenses, contributions to staff pension funds and taxation, but transfers to investment and other reserve funds are treated as allocations of profit. These profits for 1951 and 1952 can be compared with an average during 1934-38 of £3.2 million, which represented 2.9 per cent of an average premium income of rather less than a quarter of the income of 1951. Transfers of surplus from life, annuity and capital redemption business again contributed usefully to total trading profits in 1952.

Insurance dividends are traditionally paid out of the interest earnings on the non-life reserves and capital. Tables VI and VII demonstrate the effects of applying this principle. Accounting practices in treating profits tax and EPL vary between different offices and net interest incomes are not necessarily comparable. Certain offices that consistently earn good underwriting profits and distribute a large proportion of, or even more than, their net interest income in dividends, may be following just as cautious a policy as other offices that maintain a substantial margin between their dividend disbursements and their interest income, but show less favourable underwriting profits.

If allowance is made for additional distributed profits tax and for the fact that substantial assets are held in countries where the interest and the underwriting profits may have to be retained either to finance an expanding business or because of exchange control, the scope for the payment of higher dividends proves to be less than column (8) of Table VII might at first sight suggest. On the other hand appreciable liability to EPL has been incurred by some of the offices, from which they will be relieved from the end of this year. Broadly speaking, further material increases in the dividends paid by the composite insurance companies would

Once the initial adjustment has been made to the book values of their assets, life offices normally benefit on balance from a rise in the rate of interest.

Rates of bonus on participating ordinary life policies declared at the end of last year by each office are shown in the table, together with those declared at the previous valuation. Interim bonuses for 1953 are being paid at the full rates by the offices that declared bonuses last year; some other offices (whose valuations, and hence bonus declarations, are made at intervals of up to 5 years) increased the rate of interim bonus. Last year's substantially increased bonuses clearly demonstrate the advantage of with-profit contracts, by which policyholders participate in the whole of the profits of the mutual societies and in a large proportion of those of the proprietary offices.

seem to depend on larger trading profits and/or interest income.

With the exception of the Norwich Union Fire—which is a special case since it is the wholly owned subsidiary of the Norwich Union Life Office—all the offices included in Table VII increased their net ordinary dividends last year. Despite the increase of £814,000 (12.5 per cent) in the aggregate net amount distributed to ordinary shareholders, £9.5 million was ploughed back last year by these 20 offices whose results are summarised in Table VI, compared with £7.0 million in 1951, £11.2 million in 1950 and £10.9 million in 1949.

Column (9) in the detailed Table VII must be interpreted with caution. The ratios of aggregate departmental reserves, free reserves and share capital to non-life premium income give no more than a broad indication of the relative reserve strength of the different offices. Reserves for unexpired risks and additional reserves retained in a given underwriting account cannot be used for any other class of business; only the capital and unencumbered reserves—disclosed or hidden—are generally available. The size of free reserves is influenced by the character of the different classes of business; in fire insurance with its lurking catastrophe hazard, additional reserves are desirable on a scale that would be unnecessarily conservative in accident or even marine insurance.

Experience over many years has shown that the total amount that will be paid out in claims under current contracts is unlikely appreciably to exceed one half of the year's premium income. The fact that these offices command resources approaching 100 per cent of their non-life premium income can thus be taken as an indication of the impressive strength of British insurance.

TABLE VI. PREMIUMS, PROFITS, INTEREST AND DIVIDENDS—20 OFFICES

Year	Total Premium Income*	UNDERWRITING PROFITS*		INTEREST EARNINGS AND DIVIDENDS		
		Amount	Percentage of Premiums	Net Interest Earnings	Net Ordinary Dividends	Ratio Interest Earnings to Ord. Divs.
1948..	270,589,621	3,966,288	1.5	7,004,910	5,664,388	123.7
1949..	302,523,478	7,955,169	2.6	8,039,589	6,664,960	141.9
1950..	347,359,551	7,254,988	2.1	9,434,780	6,328,845	149.1
1951..	399,404,630	2,975,401	0.7	9,913,676	6,495,495	152.6
1952..	441,391,253	5,451,412	1.2	10,621,883	7,309,827	145.3

* Excluding life, annuity and capital redemption business.

ATLAS ASSURANCE

COMPANY LIMITED

ESTABLISHED 1808.

INSURANCE BUSINESS OF
EVERY KIND TRANSACTED



THE COMPANY ALSO ACTS
AS EXECUTOR & TRUSTEE

R "Let Atlas carry the burden"

HEAD OFFICE:

Salisbury 92 • CHEAPSIDE • LONDON • E.C.2.

GUARDIAN ASSURANCE COMPANY LIMITED

ESTABLISHED 1821

Head Office:

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

BRANCH OFFICES IN LONDON:

LAW COURTS: 21 Fleet Street, E.C.4

LIME STREET: 3 & 4 Lime Street, E.C.3

WEST END: 4 Cavendish Place, W.1

The Company transacts all the principal
classes of INSURANCE BUSINESS
and acts as Trustee or Executor

Total Income: £16,191,000
Total Funds: £42,793,000

The STANDARD LIFE ASSURANCE COMPANY PROGRESS

New Life Assurances effected during the three
years ending 15 November, 1952 (including Group
Life Assurances)

1950	1951	1952
£23,384,000	£28,850,000	£34,049,000

Head Office: 3 George St Edinburgh

Branches throughout the United Kingdom, Ireland, Canada,
the West Indies and Uruguay

"Our Policy— and Yours"



You are invited to apply for a copy of
this attractive illustrated Supplement
issued with the Annual Report and
Accounts of the

UNITED KINGDOM PROVIDENT

It takes you "behind the scenes" of a
great Mutual Life Office and helps to
show why the insurance business is so
important to the Nation and Common-
wealth at the present time.

Please write to:

The Secretary and Actuary

UNITED KINGDOM PROVIDENT INSTITUTION

33, Gracechurch Street, London, E.C.3

Mansion House 6543 (6 lines)

Fire and Accident Experience

THE fire, accident and miscellaneous underwriting accounts of 25 leading British insurance companies that account for about 90 per cent of the total business in each department are summarised in Table VII and shown in greater detail in Table IX. Aggregate fire premium of these offices expanded last year by 5.8 per cent from £174.4 million to £184.6 million; this was a slower rate of expansion, comparing with 13 per cent in 1951 and 15 per cent in 1950. Overseas premiums, both for fire and accident, have been converted into sterling at current rates of exchange, with the important exception of the Royal-Liverpool and London and Globe group which still uses \$4.86=£1 for its substantial North American business, and thus understates the results. Aggregate fire underwriting profits of the 25 offices, however, reached a record figure of £18.7 million income, compared with £17.7 million in the previous year and £16.0 million in 1950. Last year was free from major catastrophes from fire or the "extra perils" (of which the most important is windstorm damage) that are covered by the fire department. Fire insurance is, and is likely to remain, the most stable and profitable of the various classes of non-life insurance business. It has produced an underwriting profit for these companies as a whole exceeding 10 per cent of the premiums in the last four years; Table IX shows, however, considerable variation in the results of individual offices.

Estimated fire wastage in the United Kingdom last year totalled £24.2 million, compared with £23.1 million in

1951 and £19.6 million in 1950. These estimates do not make any allowance for the serious consequential losses (which are separately insured) that invariably result from fires in business premises. United States fire losses for 1952 have been estimated by the National Board of Fire Underwriters at \$785.0 million compared with \$731.4 million in the previous year and \$688.4 million in 1950. Estimated Canadian fire losses in 1952 were \$65.2 million, compared with \$59.8 million in 1951 and \$68.0 million in 1950. Many of the British offices transact an important proportion of their total fire insurance business in North America and the trend of losses there is, therefore, at least as important to them as in the United Kingdom.

The proportion of the year's fire premium income reserved by individual offices for unexpired risks varies from 40 per cent (which is conventional where policies are all renewable annually and the business is evenly spread over the year) to 50 per cent, which is appropriate where, as is common in North America, premiums for up to 5 years are paid in advance. Where no more than 40 per cent is reserved by companies that transact a considerable North American business, additional reserves are generally maintained. In this survey the basis adopted by each office has been followed.

Accident and miscellaneous insurance premium income continued to expand rapidly last year; the aggregate premium income of these twenty-five offices rose by 15.8 per cent from £198.9 million to £230.4 million compared with

TABLE VII.—BRITISH INSURANCE EARNINGS AND DIVIDENDS

Company	Total Premium Income*	UNDERWRITING PROFITS				INTEREST EARNINGS AND DIVIDENDS			ORDINARY SHARES		
		Net Trading Surplus*	Ratio to Premium Income*	Surplus Transferred from Life Business	Total Net Trading Surplus	Net Interest Earnings	Net Ordinary Dividends	Proportion of Net Dividends covered by Net Interest Earnings*	Proportion of Premiums covered by Reserves**†	Price, July 15, 1953	Yield, per cent.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Alliance.....	13,072,495	513,872	3.9	68,052	581,924a	431,124	414,750	per cent. 103.9	per cent. 143.7	25 1/2	4 5 5
Atlas.....	9,329,616	12,494	0.1	18,814	31,308b	244,933	178,200	137.4	113.1	16 1/2	4 10 11
Caledonian.....	6,835,057	114,107	1.7	12,136	126,243	134,568	91,547	147.0	83.1	97/6	4 12 4
Commercial Union.....	48,322,796	548,421	1.1	78,251	626,672c	1,356,013	955,800	141.9	110.6	11 1/2	4 7 0
Eagle Star.....	11,431,286	15,582	0.1	—	15,582d	374,000	278,226	134.4	118.8	93/9	4 16 0
Employers' Liability.....	23,802,510	164,976	0.7	56,465	98,511e	423,392	187,576	225.7	70.8	86/3	5 4 4
General Accident.....	37,471,334	402,977	1.1	11,988	414,965f	652,166	325,157	200.6	69.6	6 1/2	4 6 6
Guardian.....	10,489,643	258,432	2.5	26,472	284,904g	241,073	167,734	143.7	107.8	5 1/2	4 6 0
London Assurance.....	15,846,885	327,158	2.1	28,070	355,228h	393,151	269,075	146.1	113.6	22	4 5 3
London & Lancashire.....	27,593,190	447,448	1.6	23,169	470,617	684,091	573,191	119.3	105.2	7 1/2	4 2 9
North British & Mercantile	22,640,070	674,120	3.0	49,878	723,998j	827,273	577,500	143.3	153.9	11 1/2	4 4 2
Northern.....	22,275,276	100,830	0.5	31,254	132,084k	379,759	203,955s	186.2	103.6	21 1/2	4 4 3
Norwich Union.....	14,558,960	390,191	2.7	—	390,191l	242,807	161,700	150.2	86.2	(i)	4 8 11
Phoenix.....	30,373,012	219,217	0.7	50,000	169,217	745,915	469,837	158.8	73.7	19 1/2	5 6 10
Prudential(r).....	10,991,195	214,078	1.9	12,523	226,601m	236,138	133,333	177.1	82.0	35 1/2	4 8 11
Royal (including Liverpool & London & Globe).....	74,903,306	914,162	1.2	70,000	984,162	1,976,280	1,506,731	131.2	88.6	12	4 3 4
Royal Exchange.....	24,917,487	327,336	1.3	80,573	407,909n	505,335	256,870	196.8	83.9	13 1/2	3 14 9
Scottish Union & National.....	8,435,730	167,342	2.0	24,122	191,464o	213,788	110,250	193.9	125.3	7 1/2	4 10 4
Sun.....	15,449,681	448,429	2.9	—	448,429p	318,463	323,500	98.4	100.9	5 1/2	4 8 11
Yorkshire.....	12,651,724	20,210	0.2	56,418	36,208q	241,624	124,895	193.5	85.7	9	4 8 11
Total 20 Offices	441,391,253	5,451,412	1.2	698,185	6,149,597	10,621,883	7,309,827	145.3	98.4		

* Excluding life, annuity and capital redemption business. † "Reserves" include share capital, all free reserves and the underwriting and additional reserves maintained for fire, accident and marine insurance. || After debenture interest and preferred dividends. (a) Before £250,000 to general reserve and £45,000 written off investments. (b) Before £50,000 for exchange losses. (c) Before £450,000 to contingencies and taxation. (d) Before £23,682 to investment reserve. (e) Before £15,000 to contingencies reserve. (f) Before £76,627 to investment reserve. (g) Before £343,756 to investment and general reserves. (h) Before £251,260 written off investments and £362,336 to general reserve. (i) Before £120,000 written off investments. (j) Before £265,000 to investment and contingency reserve. (k) Before £425,000 to investment reserve. (l) Before £215,000 to investment reserve and branch contingency fund. (m) Before £56,244 written off investments and £100,000 for exchange losses. (n) Before £45,814 to general and contingencies reserves. (o) Before £150,000 to three-quarters of the profits belong to the "B" shareholders and one-quarter to the "A" shareholders. (p) Including £14,175 participating element of participating preference dividend. (q) Shares privately held.

TABLE VIII—FIRE AND ACCIDENT SUMMARY

	FIRE								ACCIDENT AND MISCELLANEOUS							
	1949		1950		1951		1952		1949		1950		1951		1952	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Claims	£000's 56,846	42.2	£000's 66,397	43.0	£000's 73,173	42.0	£000's 79,882	43.3	£000's 77,115	52.6	£000's 94,649	54.7	£000's 114,713	57.7	£000's 129,118	56.1
Commission	28,382	21.1	33,670	21.8	37,524	21.5	40,001	21.7	26,239	17.9	31,452	18.2	36,269	18.2	42,185	18.3
Expenses and Overseas taxes	31,112	23.1	33,426	21.6	37,416	21.4	41,446	22.4	30,301	20.7	33,510	19.4	36,699	18.4	42,343	18.4
Increase in reserve for unexpired risk	7,204	5.4	8,280	5.4	8,657	5.0	4,527	2.5	6,187	4.2	8,995	5.2	10,666	5.4	12,991	5.6
Profit	15,400	11.4	15,983	10.3	17,664	10.1	18,724	10.1	10,397	7.1	7,812	4.5	533	0.3	3,747	1.6
Premiums	134,572	100	154,518	100	174,437	100	184,580	100	146,590	100	172,953	100	198,880	100	230,384	100

TABLE IX—EXPERIENCE OF 25 OFFICES

Company	Year	FIRE INSURANCE—1951-52						ACCIDENT AND MISCELLANEOUS INSURANCE—1951-52						
		Pre-miums	Claims	Percent. of Premiums	Profit	Percent. of Premiums	Fund at end of year(a)	Pre-miums	Amount	Percent. of Premiums	Profit	Percent. of Premiums	Fund at end of year(a)	
		£000's	£000's		£000's		£000's	£000's	£000's		£000's		£000's	
Alliance.....	1951	5,457	1,621	29.7	1,252	23.0	5,683	4,412	2,083	47.2	362	8.2	2,708	
	1952	5,526	2,018	36.5	912	16.5	5,960	4,973	2,352	47.3	408	8.2	2,982	
Atlas	1951	5,625	2,361	42.0	707	12.6	3,250	2,064	1,076	52.1	53	2.6	826	
	1952	6,050	2,754	45.5	648	10.7	3,420	2,473	1,325	53.5	44	1.8	989	
Caledonian	1951	3,304	1,349	40.8	408	12.3	2,172	2,452	1,457	59.4	—	38	1.5	981
	1952	3,182	1,537	48.3	345	10.8	2,198	3,141	1,653	52.6	18	0.6	1,256	
Century	1951	2,655	1,120	42.2	243	9.2	1,914	1,255	680	54.2	—	46	3.7	1,105
	1952	2,649	1,230	46.4	259	9.8	1,869	1,460	770	52.8	—	21	1.4	1,172
Commercial Union.....	1951	21,271	8,814	41.4	2,507	11.8	18,402	20,441	11,803	57.7	484	2.4	13,666	
	1952	21,771	9,524	43.7	2,713	12.5	18,815	23,765	13,463	56.7	357	1.5	15,352	
Co-operative.....	1951	1,336	538	40.2	263	19.7	889	3,955	2,322	58.7	82	2.1	2,533	
	1952	1,410	600	42.6	292	20.7	1,003	4,229	2,601	61.5	204	4.8	2,824	
Eagle Star.....	1951	2,861	1,108	38.7	323	11.3	1,244	5,577	3,114	55.8	—	109	1.9	2,218
	1952	3,256	1,384	42.5	350	10.8	1,402	6,425	3,489	54.3	25	0.4	2,556	
Employers' Liability.....	1951	1,937	751	38.8	171	8.8	1,033	19,230	12,417	64.6	—	909	4.7	7,049
	1952	2,250	932	41.5	126	5.6	1,226	20,933	12,551	60.0	240	1.1	7,625	
General Accident.....	1951	3,029	1,041	34.4	578	19.1	2,811	28,777	16,999	59.1	267	0.9	13,861	
	1952	3,225	1,097	34.0	673	20.9	3,070	33,235	18,824	56.6	689	2.1	16,074	
Guardian.....	1951	3,737	1,512	40.5	541	14.5	1,869	3,869	2,200	56.9	79	2.0	1,741	
	1952	4,345	1,829	42.1	495	11.4	2,172	4,636	2,549	55.0	200	4.3	2,086	
Legal & General	1951	1,923	693	36.0	217	11.3	1,019	1,082	439	40.6	30	2.8	997	
	1952	2,076	826	39.8	129	6.2	1,129	1,275	547	42.9	—	24	1.9	1,174
Liverpool & London & Globe	1951	11,281	4,809	42.6	1,116	9.9	7,512	12,825	7,950	62.0	—	204	1.6	6,380
	1952	12,140	5,101	42.0	1,157	9.6	7,856	14,727	8,718	59.2	28	0.2	7,141	
London Assurance.....	1951	7,299	3,042	41.7	542	7.4	3,649	3,719	2,215	59.6	99	2.7	1,487	
	1952	7,797	3,396	43.6	538	6.9	3,899	4,453	2,694	60.5	105	2.4	1,781	
London & Lancashire.....	1951	10,786	4,631	42.9	910	8.4	4,314	9,571	5,615	58.6	—	396	4.1	3,828
	1952	11,401	4,940	43.3	1,016	8.9	4,561	10,956	6,486	59.2	—	184	1.7	4,382
North British & Mercantile	1951	15,579	7,154	45.9	1,308	8.4	10,364	4,219	2,159	51.2	265	6.3	1,755	
	1952	16,047	7,315	45.6	1,313	8.2	10,551	4,748	2,392	50.4	291	6.1	1,967	
Northern.....	1951	7,961	3,589	45.1	534	6.7	3,981	5,760	3,235	56.1	—	163	2.8	2,880
	1952	8,745	3,963	45.3	727	8.3	4,373	6,971	3,721	53.4	—	153	2.2	3,486
Norwich Union	1951	6,452	2,496	38.7	717	11.1	3,276	5,325	2,881	54.1	—	52	1.0	2,360
	1952	6,605	2,797	42.3	843	12.8	3,418	6,568	3,500	53.3	85	1.3	2,823	
Pearl	1951	4,378	2,022	46.2	128	2.9	2,911	1,687	987	58.5	—	68	4.1	1,160
	1952	4,721	2,158	45.7	127	2.7	3,178	1,964	1,087	55.4	—	6	0.3	1,310
Phoenix.....	1951	10,040	4,272	42.5	883	8.8	5,020	14,186	7,709	54.4	253	1.8	5,675	
	1952	11,231	4,701	41.9	900	8.0	5,616	16,578	9,042	54.5	111	0.7	6,632	
Prudential.....	1951	4,056	1,809	44.6	402	9.9	1,904	5,090	2,517	49.4	254	5.0	2,723	
	1952	4,568	2,049	44.9	361	7.9	2,129	5,950	3,050	51.2	244	4.1	3,131	
Royal.....	1951	20,024	8,838	44.1	1,674	8.4	14,009	18,546	11,100	59.9	26	0.1	10,918	
	1952	20,148	8,824	43.8	2,018	10.0	14,059	22,286	12,897	57.9	201	0.9	12,414	
Royal Exchange	1951	8,295	3,232	39.0	849	10.2	4,148	11,634	6,388	54.9	217	1.9	4,654	
	1952	9,300	3,939	42.4	896	9.6	4,650	13,375	7,018	52.5	559	4.2	5,350	
Scottish Union & National	1951	5,129	2,342	45.7	101	2.0	4,164	1,377	813	59.0	—	108	7.8	690
	1952	5,290	2,425	45.9	458	8.7	4,395	1,591	921	57.9	—	55	3.5	798
Sun	1951	6,446	2,625	40.7	815	12.7	2,578	6,466	3,636	56.2	95	1.5	2,586	
	1952	6,762	2,897	42.9	865	12.8	2,705	7,139	3,947	55.3	217	3.0	2,855	
Yorkshire	1951	3,577	1,405	39.3	473	13.2	2,233	5,361	2,918	54.4	60	1.1	2,319	
	1952	4,085	1,646	40.3	563	13.8	2,569	6,533	3,521	53.9	164	2.5	2,799	
Total 25 Offices	1951	174,437	73,173	42.0	17,664	10.1	110,351	198,880	114,713	57.7	533	0.3	97,100	
	1952	184,580	79,882	43.3	18,724	10.1	116,223	230,384	129,118	56.1	3,747	1.6	110,959	

(a) Reserves for unexpired risks, estimated liability under outstanding accident and disability claims and additional reserves (where maintained).

THREE DIMENSIONAL FILMS *are NEW*

But...

THREE DIMENSIONAL INSURANCE

HAS BEEN AVAILABLE SINCE 1824 WITH THE

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

HIGH REPUTATION

LONG SERVICE **BROAD COVERAGE**

HEAD OFFICE: 35 ST. ANDREW SQUARE, EDINBURGH, LONDON OFFICES: 20/24 MOORGATE, E.C.2 • 45 PALL MALL, S.W.1. BRANCHES AND AGENCIES THROUGHOUT THE WORLD

1849 — OVER A CENTURY OF SERVICE — 1953

A.M.P.

The Largest British Mutual Life Office

ASSETS EXCEED £255,000,000LOW PREMIUMS
GOOD BONUSES
LIBERAL CONDITIONS**AUSTRALIAN MUTUAL PROVIDENT SOCIETY**

(Established 1849 in Australia)

Head Office for the UNITED KINGDOM:
73-76 KING WILLIAM STREET, LONDON, E.C.4
Telephone: Mansion House 6823**THE SCOTTISH PROVIDENT INSTITUTION**which was founded before Queen Victoria
ascended the Throne**HAS GROWN LARGER, STRONGER,
BETTER IN EACH SUCCEEDING REIGN**

Members of this old-established office for

MUTUAL LIFE ASSURANCElook backward with pride and forward
with confidence**Funds now exceed £32,000,000**

Head Office:

6 ST. ANDREW SQUARE, EDINBURGH 2

**THE SCOTTISH PROVIDENT
INSTITUTION****THE
UNITED
FRIENDLY
INSURANCE COMPANY, LTD.**LIFE, FIRE, BURGLARY,
SICKNESS, PLATE GLASS,
DRIVERS' RISKS, HOUSE
PURCHASE ENDOWMENTS,
Etc., Etc.**R. C. BALDING,**
Managing Director.42 Southwark Bridge Road,
London, S.E.



The PROVIDENT ASSOCIATION OF LONDON LTD.

Undertakes all classes of
Life Assurance.

EXCEPTIONALLY GOOD TERMS for
GUARANTEED ANNUITIES and TOP
HAT SCHEMES.

Head Office: PROVIDENT HOUSE,
246 BISHOPSGATE, LONDON, E.C.2.



TRUST . . . as enduring as the hills

The main precept upon which The Scottish Mutual is founded is a changeless one. That precept is *trust* . . . a trust as secure in its foundation as the mountains themselves. Since 1883, the Society has enjoyed the confidence of a discriminating public. As a policy holder, broker or agent, you too can have every confidence in assuring with or recommending—

The Scottish Mutual Assurance Society

HEAD OFFICE: 109 ST. VINCENT STREET, GLASGOW, C.2.

A FREELY MARKETABLE INVESTMENT IN A
TRUST SPREAD OVER THE SHARES OF THE
LEADING 30 BRITISH INSURANCE COMPANIES

INSURANCE UNITS

AT THE PRESENT TIME these Trust Units are particularly suitable for investors who seek a stable income combined with good prospects of capital appreciation.

Long Term Attractions

The insurance companies, whose shares constitute "Insurance-Units," have a common policy of maintaining a wide margin between what they pay out in dividends and what they earn. In the case of virtually all companies (with the exception of the Life companies, where other considerations apply), dividends are covered, often by a handsome margin, by income from investments. Other profits are added to the invested funds, thus increasing the income from which dividends are paid.

Dividend Prospects

Many of the insurance companies whose shares are included in the Trust Fund have during the past two years declared increased dividends, and there are good prospects that these payments should be at least maintained.

Purchase of Units

The price of the Units is within the reach of the small investor, who is freed from any personal liability for calls on partly-paid shares included in the Trust Fund. Ask any Stockbroker or Bank for full details.

Offer price 15th July, 23/3 x.d. Yield calculated in accordance with Board of Trade requirements, £4/4/5%.

TRUSTEES:
WILLIAMS DEACON'S BANK, LTD

MANAGERS:
BANK INSURANCE TRUST CORPORATION
LTD
THIRTY CORNHILL
LONDON, E.C.3

n increase of 15 per cent in 1951 and 18 per cent in 1950. Last year's increase in accident premiums followed an adjustment of motor premiums overseas and of home and overseas rates for employers' liability insurance; there was also a larger volume of business, particularly in the motor department. The cost of claims has continued to soar all over the world; the exiguous profit in the accident department in recent years has in particular reflected the rapidly mounting cost of third party claims under motor and employers' liability insurance. Even relatively minor damage to motor cars of modern design bears heavily on the motor account. There have been signs in recent months, however, that motor insurance in the United States is at last 'in the black'; and it may be just breaking even at home. It is a general complaint that employers' liability business in the United Kingdom is still unprofitable in spite of last year's rate increases, and higher rates are being charged this year.

Industrial Life Assurance

Prudential, whose industrial branch policyholders enjoy contractual rights to share in the surplus of their branch, bonuses upon industrial branch

policies are usually *ex gratia*. Last year industrial life bonuses were allotted at somewhat higher rates than in 1951 by each of the offices making a valuation.

TABLE X. INDUSTRIAL LIFE ASSURANCE 1951-1952

	Fund at End of Year		Premium Income		Net New Sums Assured		Expense Ratio		Net Rate of Interest per cent. on Fund	
	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952
	£mn.	£mn.	£mn.	£mn.	£mn.	£mn.	per cent.	per cent.	£ s. d.	£ s. d.
Britannic	40.6	43.3	6.9	7.2	10.5	10.9	26.7	26.7	3 14 7	3 19 11
Co-operative	64.2	69.3	16.0	17.2	39.4	41.4	28.5	28.5	3 15 2	3 16 10
Liverpool Victoria	87.0	89.4	13.1	13.6	27.5	28.5	34.6	33.9	3 12 8	3 18 10
London & Manchester	18.1	19.2	3.0	3.1	5.1	5.0	28.9	28.9	3 19 10	4 4 6
Pearl	98.4	101.3	15.1	15.2	23.6	27.2	24.7	26.2	4 4 5	4 5 1
Prudential	347.4	352.3	41.9	43.0	77.9	78.4	29.6	29.5	4 2 7	4 7 3
Refuge	53.4	55.2	9.0	9.3	14.2	14.8	28.2	28.7	4 3 5	4 5 6
Royal Liver	47.6	50.3	7.6	7.8	15.9	16.3	34.5	34.3	3 17 9	3 16 11
Royal London Mutual	63.7	65.2	8.5	8.7	13.9	16.0	34.0	34.2	4 4 5	4 8 2
Wesleyan & General	13.8	14.2	2.1	2.2	3.3	3.5	34.6	35.4	3 19 6	4 6 2
Total 10 Offices ..	834.2	859.5	123.2	127.3	231.3	242.0	30.4a	30.6a	3 19 5	4 2 11

(a) Average expense ratio.

TABLE XI. LLOYD'S PREMIUMS AND CLAIMS*

	MARINE AND TRANSIT			AVIATION		
	Pre-miums		Per cent. of pre-miums	Pre-miums		Per cent. of pre-miums
	£mn.	£mn.		£mn.	£mn.	
1948 Account	61.5	50.9	82.8	6.2	6.1	98.4
1949 Account	73.7	59.8	81.1	8.2	6.5	79.3
1950 Account:						
Year 1	53.0	12.8	24.2	4.0	1.0	25.0
Year 2	21.6	17.2	40.2	3.7	2.7	48.1
Year 3	1.4	33.9	...	0.5	2.4	...
Total	76.0	63.9	84.2	8.2	6.1	72.6
1951 Account:						
Year 1	60.3	16.2	26.9	3.8	1.1	28.9
Year 2	25.8	21.5	...	3.7	3.5	...
Total to date ..	86.1	37.7	43.8	7.5	4.6	61.1
1952 Account:						
Year 1	68.0	17.9	26.4	4.2	1.8	43.1

	OTHER ASSURANCE BUSINESS			MOTOR (within the UK)		
	Pre-miums		Per cent. of pre-miums	Pre-miums		Per cent. of pre-miums
	£mn.	£mn.		£mn.	£mn.	
1948 Account	54.4	47.2	86.8	4.0	2.7	67.5
1949 Account	77.5	67.5	87.1	4.6	3.1	67.4
1950 Account:						
Year 1	57.0	21.3	37.4	4.6	0.7	15.2
Year 2	31.2	32.5	61.0	0.4	2.2	58.0
Year 3	0.9	32.5	...	...	1.3	...
Total	89.1	86.3	96.9	5.0	4.2	83.3
1951 Account:						
Year 1	58.9	16.2	27.5	5.1	0.8	15.7
Year 2	34.2	29.6	...	0.7	2.5	...
Total to date ..	93.1	45.8	49.2	5.8	3.3	58.0
1952 Account:						
Year 1	68.8	17.1	24.9	5.9	1.0	17.2

* Foreign business has been converted into sterling at approximately prevailing rates of exchange.

Marine Insurance

TOTAL marine premium income of twenty leading insurance companies was £46.2 million last year compared with £44.4 million in 1951 and £36.1 million in 1950. The latest comprehensive statistics relate to 1950, when the total marine premiums of all insurance companies were £58.4 million and of Lloyds' underwriters £84.2 million. Hull insurance premiums were well maintained in 1952 because of the commissioning of many new ships at high insured values and also because a full year's premiums carried the 10 per cent surcharge imposed in February, 1951. Cargo insurance premium income, which varies with the level of world commodity prices and with the volume of international trade, increased last year by a much smaller amount than in 1951. Competition for cargo business remains keen and there is a tendency to use war risk premiums to meet ordinary claims instead of retaining them as a contingency reserve. It remains doubtful if cargo insurance at present rates of premium is yielding any appreciable profit to the underwriters.

Marine insurance accounts are closed at the end of the second year following that in which the premium is received. Last year's profit transfers from marine accounts thus related to the outcome of insurances initiated in 1950; they give no necessary indication of current profits in this branch of insurance. For the twenty leading companies, such transfers totalled £3.8 million last year compared with £4.4 million in 1951 and £3.6 million in 1950. Profits transferred from marine accounts during the next few years seem unlikely to be as large as those that have been earned from the accounts of recent years.

Despite a run of serious casualties during December, fewer ships became total losses last year than in 1951 and

their aggregate tonnage was smaller; 87 vessels of 254,600 tons were lost in 1952 compared with 103 vessels of 304,500 tons in 1951. The number of "partial losses" at 7,689 was almost exactly the same last year as in 1951. Whilst total loss, particularly of important vessels, involves underwriters in substantial payments, repairable damage to ships accounts for the major part of each year's claims outgo. Claims experience this year has so far been bad; the total loss by fire of the *Empress of Canada* in January, at a cost to the marine insurance market of £1,300,000, was almost immediately followed by the sinking of other valuable ships, and the month closed with the disastrous floods on the East Coast and in the Low Countries which were very costly to marine underwriters.

The continued upward trend of ship repair costs together with the run of major total losses explain why premium rates on all subsequent hull insurance renewals were raised last March by a further 10 per cent. The higher premium rates will affect the 1954 account more directly than the 1953 account; but they may be at least partially offset by some reduction on the next renewal of insured values on certain classes of vessels.

Marine fund reserves of the twenty offices at the end of last year stood at 145 per cent of the year's premiums, as at the end of 1951. Reserves of such magnitude are substantially greater than all foreseeable claims under existing insurances. A monument to the capacity of the British marine insurance market was set up last year, when the cover on each of the two "Queen" liners was increased by £2 million to £10½ million; part of the original risk undertaken by the insurance companies and by Lloyds' underwriters was reinsured abroad under reciprocal treaties.



Four out of five
families find security
in
HOME SERVICE
INSURANCE

Issued by the Industrial Life Offices

221

For all Classes of Insurance



Chief Offices

66/67 CORNHILL, E.C.3
ST. HELEN'S SQUARE, YORK

Branches & Agencies
throughout the World

THE STANDARD BANK OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika

Capital Authorised	-	-	-	£15,000,000
Capital Subscribed	-	-	-	£10,000,000
Capital Paid-up	-	-	-	£5,000,000
Reserve Fund	-	-	-	£6,000,000

10 CLEMENTS LANE, LOMBARD STREET and
77 KING WILLIAM STREET, LONDON, E.C.4

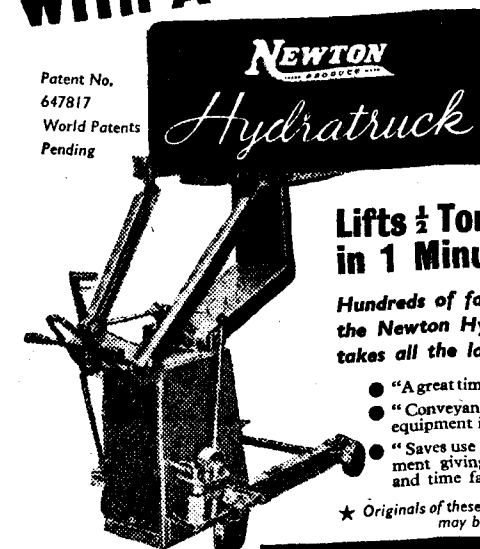
LONDON WALL Branch — 63 London Wall, E.C.2.
WEST END Branch — 9 Northumberland Avenue, W.C.2.
NEW YORK Agency — 67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA,
SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN
RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA,
ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted
at all Branches and Agencies.

★
THE TRUCK
WITH A HUNDRED USES!

Patent No.
647817
World Patents
Pending



No Batteries
No Upkeep
No Skill
Power that
costs you
nothing
Power
Hydratruck
also available

Lifts ½ Ton nearly 5ft.
in 1 Minute by Hand

Hundreds of famous firms find
the Newton Hydratruck
takes all the labour out of lifting

- "A great time-saver transferring dies."
- "Conveyance of heavy tools and equipment in Machine Shop."
- "Saves use of crane—a sound investment giving an advantage in safety and time factors."

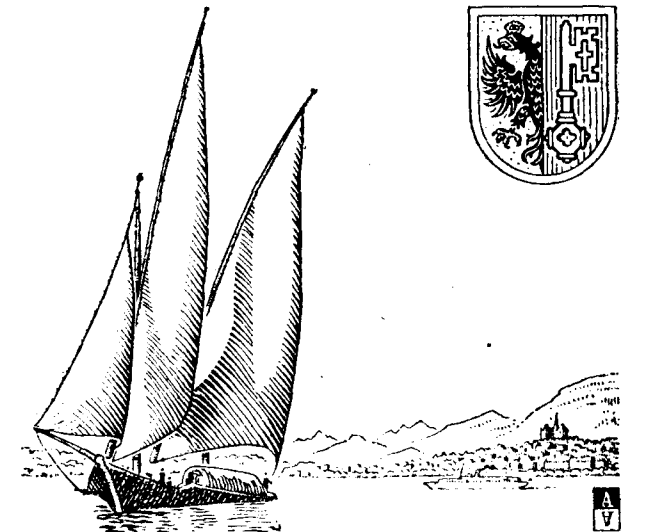
★ Originals of these and many other testimonials
may be seen on request

WRITE FOR FREE
DEMONSTRATION!

POWER JACKS
LIMITED
VALETTA RD., ACTON, LONDON, W.3
TEL: SHEPHERDS BUSH 3043 (4 lines) — GRAMS, NEWSORDER, CALUX, LONDON

Perhaps you
didn't know that

GENEVA



was such a great international banking
centre during the 18th Century, that,
in view of the loans made to France
alone, the title "Bankers to the Kings
of France" bestowed on Geneva's
Bankers was more than justified.

But everybody
knows

however, that since then, Geneva has
become a city of great international
importance. The Geneva Branch of
the Union Bank of Switzerland is
always prepared to place its vast
experience at your disposal.

**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

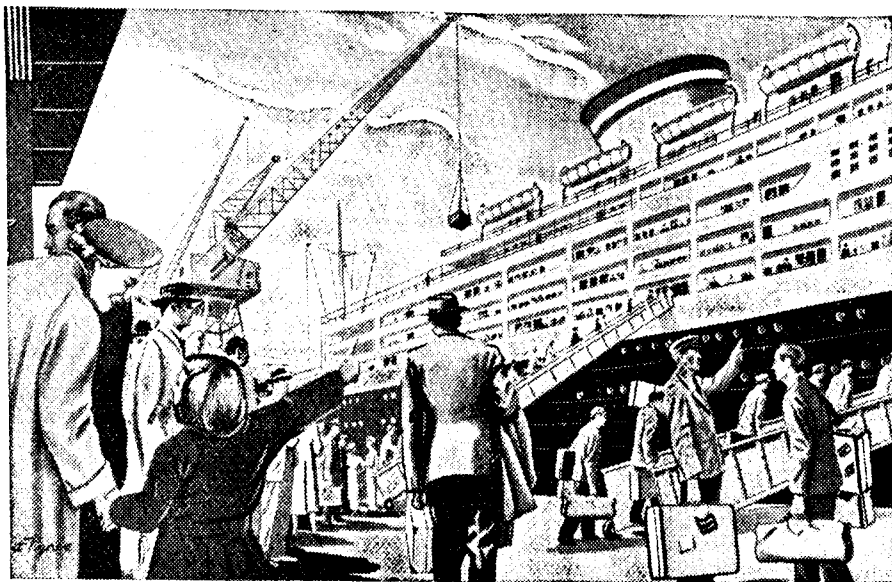
'ENGLISH ELECTRIC'

Electric arc welding has brought about great changes in British shipbuilding. More and more ships are being built by welding together large sections on the slipways. Much of the arc welding and other equipment used in Britain's shipyards is manufactured by 'ENGLISH ELECTRIC'.

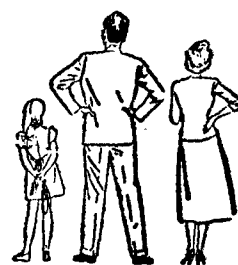


bringing you

Today, British shipbuilders face more foreign competition than ever before. 'ENGLISH ELECTRIC' is providing our shipyards with the most modern equipment to enable ships to be built at competitive prices, thus helping Britain to supply the world with its finest ships. In this, as in so many other ways, 'ENGLISH ELECTRIC' contributes to the better living of millions.



better



living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

The Economist

FOUNDED 1843

JULY 25, 1953

ONE SHILLING

On Not Missing the Bus	235
An Autumn Election?	236
Locarno on the Oder-Neisse	238
The Architect's Dilemma	240

NOTES OF THE WEEK

The Regency; Mr Attlee and Mr Butler; Clamour from the Constituencies; The outrageous Mr Rhee; Puzzle in Indo-China; Bread and Shackles in East Germany; Wages, Prices and Exports; School-building Defended; Capital, Colonies and Conscience; Malenkov's Dangerous Ally; France Gets Russian Trade; A Windfall of Roubles; Uphill Fight for Fish; Charitable Trusts; Mr Markezinis' Visit. 242

LETTERS TO THE EDITOR	251
BOOKS AND PUBLICATIONS	252

AMERICAN SURVEY

Gamble in Washington 256
Stevenson's Funnybone 257
Soldiers of Nato; Blockade for Refugees; Saving McCarthy's Face; Dewey's Power Failure?; Chipping at the CIO; Shorter Notes.

THE WORLD OVERSEAS

Dr Mossadegh Sees it Through . . . 262
Purges in the Soviet Republics; Europe and the Defence Community—II; Negotiating at Panmunjom—I; Ten Years Without Mussolini; Battle Over Danish Bacon.

THE BUSINESS WORLD

The Market in Oil 271
Taking a Risk in Wheat 273

BUSINESS NOTES

The Conversion Result; Terms of Trade to the Rescue; IMF Exchange Restrictions; Deposits' Mid-Year Peak; Rising Trend of Advances; Brazil Tries it On; Coal Profits Again; Who Owns Shares?; Old Ladies in Throgmorton Street?; Slighting the Ring Fence; Ore for the Furnaces; London Fares Increase; Stagnation in Rubber; The Cost of Development; Cheaper Steel Exports; India's Sterling Balances; Thirty-Shilling Tailors; Shorter Notes. 276

COMPANY NOTES AND SECURITY	
PRICES	286
STATISTICS	289

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

On Not Missing the Bus

THE unmistakable tenor of the Opposition speeches in this week's parliamentary debate was a lament over an opportunity missed. Sir Winston Churchill's speech of May 11th had opened the way to peace, by way of a top level meeting, but the obduracy of the Americans and the incompetence of Sir Winston's own colleagues had thrown the chance away. The momentum had been lost, the bus had been missed. Lord Salisbury, said Mr Mikardo, had "muted down the reverberating chord struck by the Prime Minister into the pathetic peep-peep of a penny whistle."

It is, of course, the Opposition's job to oppose. But on this occasion the Labour speakers were only exaggerating a widespread public feeling of anti-climax. Soberly considered, the differences between what the Prime Minister proposed in May and what the Foreign Ministers agreed to in July do not seem to be very great. Instead of the heads of governments, it is to be the seconds in command. Instead of an unlimited agenda, it is suggested that the essential central problem, on which all else depends, should be tackled first. These are, indeed, differences, but hardly such as to justify the transition from exaltation to despair.

Those who attach so much importance to the difference between Prime Ministers and Foreign Ministers, and between an undefined and a concentrated agenda, must presumably have some reason for supposing that the one method would produce results that the other will not. But why? There is no ground for supposing that the Russians, if they really want to do business with the West, will insist on having the Prime Minister and the President to do it with. Of course, a difference having arisen in the West, they may now try to exploit it; but if that proves anything at all, it is that they are not really in a mood to respond very fruitfully to concessionary gestures from the West.

Nor is it as easy as the Labour speakers assumed to wave aside the known objections of President Eisenhower and his advisers. Even if the American view were palpably silly, it would still have to be taken into account. (Those who are most insistent on the need for independence in British policy tend to be those who would dictate most dogmatically what American policy should be.) And the American view is very far from being palpably silly. It is not the view of the wild men, but of the sober and experienced professionals of the State Department. They might well ask Mr Attlee how, if he believes (as he said on Tuesday) that the changes in Russian policy "are due to the fact that we have built up the strength of the Atlantic community," he can also complain of "too much emphasis on positions already taken up." This comes very close to saying that because the policy of firmness is working it should be abandoned. American policy is at least consistent; and if there is to be any meeting at all with the Russians, the Americans have to be there.

It is equally difficult to see why there is objection to taking the

question of Germany first. Mr Attlee thinks that "to suggest that a talk at high level on that crucial question is likely to be fruitful seems an entire illusion." But Mr Attlee cannot suppose that anything else of any importance—except perhaps the Far East, where progress towards a conference is once more being made—could be settled without bringing in the central problem of Germany. If he is so pessimistic about the prospects of one set of doctors examining the heart of the matter, how can he be so hopeful about another set of doctors talking generalities about the limbs?

★

With so much confusion in the public mind, it is as well to argue the matter in the simplest terms. The dominant fact is that nobody in the West knows what has happened, or is happening, in Moscow. One supposition is that there is a real struggle going on between those who want peace with the West and those who want an eternity of cold war. Another supposition is that the only differences are over the tactics to be pursued in an agreed programme of conquest. If the former view is right, it will be dangerous for the West not to show a willingness to meet the Russians half-way, for a failure to do so may lead to a victory of the war party in Moscow. But if the latter view is right, any weakness or appearance of weakness, and particularly any initiative that undermines the resolve of the western peoples or disturbs their unity, would be highly dangerous.

The conclusions that follow from the two hypotheses could hardly be more opposed to each other. To adopt the wrong one could be disastrous. But nobody knows which one is correct. It follows that the only safe

policy to pursue is one of feeling the way. The Foreign Ministers offered to talk with the Russians, but tried to remove any illusions that a willingness to talk was a sign of weakness. And as the best available test of good will, they proposed the central issue of Germany. It is a crucial issue; it is a complex issue (as an article on another page illustrates); and it is one where there is room for a certain amount of give and take on both sides. If there is a real possibility of doing business with the new rulers of Russia, a conference on Germany will reveal it; if all goes well it can lead on to further conferences on the highest level and on a wider agenda. But if there has been no real change in Soviet policy, little or no harm will have been done. It is really very difficult indeed to see what other practical proposals could have been made.

If it seems disappointing, that is a measure, not of the incompetence of the statesmen, but of the emotionalism of the public. What makes the present period the most dangerous since the end of the war is the growing evidence that the public—or large sections of it—after a long period of seeing things clearly, is sinking into one of those bouts of wishful emotionalism that were so familiar in the thirties. There is a widespread determination to make the most favourable possible assumptions about a potential enemy, not because they correspond to any known facts, but simply because they are the most comforting. Last time, this habit of mind led to the humiliations of 1938 and the horrors of 1940. If it is not to have comparable results this time, reason must remain in command. Judged by the tests of fact and logic, the decisions taken at Washington, unexciting though they may be, were unquestionably the right ones.

An Autumn Election?

THE parliamentary holiday begins next week and the second session of this Parliament, though it is due to be resumed for a few days in October, is for all practical purposes concluded. The adjournment will find the Conservatives in a state of self-confidence that could hardly have been expected a year ago. So convinced are they that they are riding the tide of public opinion that the minds of some of them have been turning, at intervals during the summer, to the thought of a general election in the autumn. At the moment, these speculations are muted, and the general opinion at Westminster is that there will be no dissolution in 1953, or perhaps even in 1954. But this is not because the Tories do not think they would win an election. Prophecy on this subject is notoriously hazardous; and there are Jonahs who point out that only twice in a hundred years past has a Government increased its

majority at a general election (and on one of those two occasions—the "khaki election" of 1900—by only three seats). But unless all the usual indications are liars, the country would return more Tories at the present moment than in October, 1951, when Sir Winston Churchill could still be attacked as a warmonger, when the Labour Party still had some appearance of cohesion and coherence, and when it was still believed that any tampering with economic controls would lead to massive unemployment.

If Conservative opinion is turning against an autumn election it is not therefore because of any revision of their calculations. Other reasons, indeed, are not far to seek. The very quietness of the Opposition (except in its internal quarrels) has enabled the Government to manage the House of Commons with ease, in spite of its narrow majority. The prolonged uncertainty over

the truce in Korea and over the prospect of talks with Russia has made foreign affairs, from the party manager's point of view, an unusually incalculable element. More important than either of these, as a practical consideration, there is the illness of both the Prime Minister and the deputy Prime Minister.

In these circumstances, it is perfectly clear that any decision to dissolve Parliament cannot be made until the autumn. It would be very surprising if there were as yet even a presumption forming in the Prime Minister's mind. He will have to wait and see, and so will the rest of us. When the time comes, the determining consideration will doubtless be the party advantage of the Conservatives. That is inherent in the British system, and there is nothing in the least improper about it—particularly since no party likes to face the charge of flouting the public interest. But, lest it go by default in these politicians' calculations, there is another argument that is worth restating. This is the argument that the public interest is not merely something that negatively should not be harmed by a party decision; the public interest positively requires a dissolution, if there is a chance of its producing a firmer basis for decisive government.

★

After its first lamentable nine months, the Government for the past twelve months has done well. The boat has turned out to be serviceable even if some of the crew are ailing. But ministers would be very unwise if they assumed that this justified them in simply paddling quietly on, with the vague idea that it may be time to set a new course in the spring of 1954, or 1955, or 1956. The Conservatives have done—with some assistance from good fortune—the rescue job for which they were elected. If surer foundations to the country's prosperity and safety are now to be laid, what is required is not a rescue but a widely ranging programme of radical reform. From the recasting of the taxation system to the structure and finance of local government, from the elimination of subsidies to the attack on restrictive practices, from tidying up the social services to working out a new international economic policy, from Africa to agriculture—over all this field new measures and new methods are needed.

Clearly an election could not by itself guarantee such a transformation. The prior conditions are that the party should know its mind and that it should have leaders able and determined to execute such a policy. But on the showing of the past twelve months one should not perhaps entirely despair of the Conservative party's ability to rise to the opportunity, especially if some of the younger men are to be given their chance. And if the willingness and ability were there, they would certainly need a new Parliament to be effective. There would be need of the refreshed confidence that comes from the positive renewal of a specific mandate. Moreover, if there is to be a programme of reform, there will have to be a long list of legislation, which is impos-

sible with the present exiguous majority. Nor must it be forgotten that if politicians are to do their proper job properly they must be relieved of the heavy physical strain that an evenly divided House imposes on them.

The period of political deadlock—or of what differs from deadlock only by a degree or two—has now lasted for nearly three and a half years. There is a real risk that the country will get used to it, and that it will become the general assumption that nothing much can ever be accomplished under the British parliamentary system. But if ever there was a country that needed a government capable of taking decisions it is this crowded island, with its precariously balanced position in the world. Surely the national interest requires that no opportunity of securing an effective, purposeful government should be neglected. It is no departure from *The Economist's* custom of neutrality, but a simple recognition of obvious fact, to say that the only chance of such a government for some years to come is for the Tories to get a working majority. If, in the autumn, the Prime Minister thinks an election would have that result, it will be his duty to advise a dissolution before the unpredictable march of events removes the opportunity.

The Demand for Meat

At the rate meat is at present being consumed there is every reason to anticipate prices still higher than those now ruling, which are considerably above anything obtained for meat for several years past. This is entirely due to the great prosperity of the working classes in this country. We have often in these columns stated that one of the first things to which a working man would apply a considerable part of increased wages would be in the purchase of more meat for himself and his family; and this, we urged, would be the certain result of a moderate price of corn. The present state of the meat and corn markets completely justify these views. No farmer can now doubt the wisdom of keeping a good quantity of stock, or the necessity of exerting himself to maintain as much breeding stock as possible. There is now no question as to the profits of stock-keeping. Sheep and bullocks now pay their own way; they are no longer to be deemed merely manure-making machines. The grand consideration now is how to maintain the largest amount of live stock; with that good corn crops come as of course. No longer is the farmer alarmed at importations of live stock, for greatly increased importations have had no effect in keeping down meat prices.

In 1852, for the five months, the imports of bacon were 35,940 cwts., which had risen in 1853 for the corresponding five months to 53,907. So of pork, 47,643 cwts. in 1852 had increased in 1853 to 84,353. The imports of beef (salted) had increased still more, for in 1853, 130,932 cwts. were imported, against 56,505 in 1852. Here we have an immense increase of fat meat brought from other countries, and at the same time the price of prime beef in Smithfield market reaches 4s. 4d. and 4s. 6d. per 8 lbs. Prime Down mutton is 4s. 8d., 4s. 10d., and even 5s. per 8 lbs., and other kinds in proportion. . . . Here, then, is a state of things in which good farming cannot fail to be profitable, provided the farmer takes care to have on his farm sufficient accommodation for keeping an extensive stock.

The Economist

July 23, 1853

Locarno on the Oder-Neisse

WHEN Sir Winston Churchill spoke in the House of Commons on May 11th of the need to find a way of "reconciling the security of Russia with the freedom and safety of Western Europe" he threw out a hint that some arrangement might be possible on the lines of the Locarno Treaty of 1925. The significance of his remark lay in the fact that this was the first occasion for a long time that a leading statesman had referred to the smouldering question of the Oder-Neisse line. To all interested parties this frontier between Germany and Poland, only provisionally accepted by the three western governments at the Potsdam conference of 1945, is a source of embarrassment as well as anxiety. The Russians seldom mention it because they do not wish to remind the Germans that this grievance was largely created by Russian action. The Americans and British seldom mention it because they can see no solution to the problems it raises. The French kept quiet about it because they have in the Saar their own territorial difficulty with the Germans. The Communist-dominated government of the Soviet zone of Germany has formally accepted the line as a "frontier of peace," because it had no choice in the matter. Now the silence has been broken. Sir Winston Churchill's suggestion of a Locarno was ill-timed but, having been made, it cannot be ignored.

To consider what could or should be the frontier between Germany and Poland is to go to the root of the difficulties between the Russians and the West. And to propose that this frontier, whether in its present or in a revised form, should be guaranteed by a new Locarno treaty is to raise a question of burning interest to all Germans. At the moment their leaders say little about it in public; their interest is concentrated on ways of bringing about the liberation of the Soviet zone and its reunion with Germany. But once that liberation is achieved the Oder-Neisse line, if left as it is, is bound to become the subject of bitter controversy and fervid pleading. The question at the back of all minds wrestling with Germany's future is therefore this: can the problem of the German-Polish frontier and the former German territories beyond it be shelved until unification has been achieved, or must it come up immediately—and the Locarno idea with it—if the Russians and the West are to bargain seriously about free elections and an all-German government?

First let it be made clear that the Locarno Treaty of 1925 guaranteed against change by force not Germany's eastern but its western frontier. Secondly, it has to be realised that any similar guarantee today of the eastern frontier would have to be underwritten by the Americans if it were to have any significance to the Russians, or indeed to the Germans. For if western aims were attained, and a united Germany joined either the European Defence Community or Nato, then the Oder-Neisse line would have become the

frontier between the Atlantic alliance and the Communist bloc, two heavily armed and closely organised power groups.

To propose a Locarno treaty between Germany and Poland is, therefore, to propose that Russia and the three western powers should guarantee the frontier between them against any attempt to change it by force. That is in itself an acceptable idea. No one in the West, except a handful of German extremists, wants a war about the eastern frontier of Germany and the aim of western policy is to avert such a disaster. But the frontier, as now drawn, is a focus of fears, regrets and ambitions that range far beyond Germany and Poland. Any suggestion that it could be peacefully revised and then guaranteed by the Great Powers in the present atmosphere of tension and suspicion is quite unrealistic. Peaceful revision would be possible, if at all, only when confidence had been so far restored between the Soviet Union and the United States that neither would regard concessions to the fears of the other as incurring either loss of face or military danger.

If, then, revision of the frontier is out of the question in the immediate future, a guarantee of the Locarno type, if given now, would have to cover the Oder-Neisse line as it is. That is to say, the western powers would have to accept a frontier that they have refused to recognise *de jure* but have respected *de facto* since 1945. Such an action would be regarded by the world as conceding Russia's right to all that it has gained in Europe since the war. It would consolidate the Communist hold on Eastern Europe and, perhaps, kill the spirit of resistance that has been showing itself since Stalin's death. There is no concession likely to be made by Moscow that would justify the West in guaranteeing this bad frontier.

That is, roughly speaking, the position between the Great Powers; but the picture leaves out the crucial factor—the attitude of 65 million Germans. The Russians would doubtless be ready to ignore them if they thought they could conclude a good bargain with the West over the heads of Dr Adenauer and Herr Grotewohl. They have urged often enough that a peace treaty, defining Germany's frontiers, should be drawn up before—not after—free elections had produced an all-German government to sign it. And they have never given any sign that they would compromise on the Oder-Neisse line. The western allies, on the other hand, have always taken—and still take—the attitude that free elections and unification must come first, because the unity of Germany was broken by the Russians and must be restored by them unconditionally. Only when that has been done are they willing to discuss the frontier question, and then only with the new

German government participating. They cannot and will not do a deal at the expense of the Federal Republic and Dr Adenauer.

It seems to follow that the western powers could agree to the Oder-Neisse line as a provisional frontier only if it could be accepted and honoured by an all-German government. Until that government exists it is impossible to judge what would and would not be acceptable. For any West German statesman who said publicly between now and September 6th that he would accept the Oder-Neisse line would be inviting disaster to himself and his party. And any West German statesman who said he would not in any circumstances accept the line would be accused of extreme nationalism and of endangering the prospects of peace and unity. It is possible that after September 6th a German leader may think it wise—it would certainly be brave—to say what Sir Austen Chamberlain was able to say on behalf of Stresemann's Germany to the House of Commons in March 1925:

She is prepared to say that she renounces the idea of recourse to war to change the frontiers in the East. She is not prepared to say, in regard to the frontiers in the East, that she renounces the hope some day to modify some of their provisions by friendly negotiation, by diplomatic procedure, or it may be, for aught I know, by recourse to the good offices of the League of Nations.

For if the Russians refuse to talk in September, or talk without making any concessions, the many Germans will ask themselves this question. Is it worth their giving a pledge that revision of the frontier will

be sought only by peaceful means, if the Russians would in return agree to elections that would liberate their zone and reunite the country?

It is a question that is not easily or quickly answered. If it were answered in the wrong way and at the wrong time, and if it were thought that western pressure had been brought to bear, the consequences might be disastrous. The demand for the return of the lost territories could become overnight a burning political issue, cutting right across the party lines drawn up by the followers of Dr Adenauer and their Social-Democrat rivals. The refugees from the Oder-Neisse territories, who make up nearly a quarter of the West German voters, would cry out against betrayal and there would be politicians to lead them. Those who distrust the policy of alliance with the West would be listened to as never before, and German nationalism would be back in the race for power as an anti-western political force. Only the Russians could profit from such an outcome, by holding out the prospect of a revision of the frontier on their terms. The consequences of a German statesman's reply to Sir Winston Churchill's hint might, of course, not be so serious. But the western powers would have to think very hard before they jeopardised all chances of winning the Germans into the western camp by guaranteeing a frontier settlement which was opposed by a majority or a large minority of Germans.

This is the point of the argument at which the Russians' view must be examined, so far as it is known. Clearly their calculation runs something like this. If



we agree to free elections and the formation of an all-German government free to make any alliances it wishes, then the following will happen: The Communist regime in Eastern Germany will collapse, the West will claim a great diplomatic victory, the new German government will be led into the Atlantic alliance (or the European Defence Community, which is just as bad) by its western members, and in a matter of two or three years Germany will be a power again. Then it will seek to use the western alliance to force a revision of the Polish frontier, even at risk of war. Nato divisions, some of them German, will be within striking distance of vulnerable regimes in Poland and Czechoslovakia. So, probably, runs the Kremlin's appreciation. The deduction from it is clear: the West must accept the Oder-Neisse line before we (the Russians) will take the first steps towards unification. We will not ask for that acceptance, because that would make us appear as the saboteurs of German unity; but we will raise every kind of difficulty about negotiation until our fears are recognised.

If that is indeed the Russian attitude—and the history of past negotiations suggests that it is—then the West has to consider the possibility that only some declaration of intention about the frontier question will get negotiations on Germany moving. To give a Locarno guarantee of the present frontier now is out of the question: but revision also, on present evidence,

seems impossible. The only alternative, therefore, seems to be that the West, with German consent, should express its willingness to guarantee the frontier against any attempt to change it by force, provided that the Russians admit the possibility of change by negotiation between the Germans and the Poles and provided that German unification and German and Austrian peace treaties are achieved within a reasonable time.

There is no reason at all to believe that either Sir Winston Churchill or allied experts have worked out the details and implications of his Locarno hint. Yet so long as it remains only a hint, capable of all kinds of interpretations both friendly and hostile, it can do as much damage as good. There is no good reason why it should not be examined provided that two conditions are borne in mind. The first is that any such gesture to Russian suspicions should be made with the full support of a strong West German government, which could not be later accused of weakness under dictation. The second and more important is that a new Locarno would be offered as the climax, and not the first stage, of detailed negotiation between the Russians and the West. There would have to be an interval between the offer and its execution, during which the confidence needed to make a guarantee effective would have to be created by the "piecemeal solutions of individual problems" for which Sir Winston asked on May 11th

The Architect's Dilemma

MORE architects are practising their profession than ever before in Britain, and the output of qualified young men and women was never higher. The profession is increasing at a rate of over 6 per cent a year and nearly everybody—at the moment—is getting a job. The proportion of building work that is being planned or directed by architects is increasing encouragingly. It was only 5 per cent of all building operations before the war, and now it may be 15 or 20 per cent. Architects are working on types of building from which they were previously almost excluded, such as local authority housing and schools. Yet the profession senses an undertone of public criticism of its conduct; it is far from happy about its present fortunes and is uneasy about its future. Controversy invades architectural journals and conferences; a radical wing even questions whether the professional status, built up so laboriously by the Royal Institute of British Architects, makes any sense at all in the postwar world.

The social changes which have taken place since 1939 have upset the traditional order of things for the architectural as well as for the medical profession; moreover, architects are struggling to come to terms with the technological revolution that is slowly overtaking building, despite the opposition of builders. Before the war,

architecture—the design of traditional kinds of building with traditional materials—was still mainly in the hands of the private practitioner (so far as it went to architects at all). He made anything from a just tolerable middle-class living to a fair-sized fortune out of it. Only those products of the schools or articulated training who had neither capital nor talent for private practice took the salaried posts that local authorities had begun to offer in growing numbers. Since the war the balance has changed spectacularly. It is the salaried architect who is getting the interesting work, the private architect who is doing the chores.

The reasons are obvious, though few foresaw them. Before the war public bodies and private concern put out their work to private architects; and so did the well-off and wealthy, who were still building houses, no longer mansions. But, since the war, building controls and priorities for council housing and schools have put most building into the hands of local authorities who have expanded their own architectural departments. So have nationalised industries; so have regional hospital boards; so have many large firms. The salaried architect, however underpaid and frustrated, has handled most of this work—and has kept control of even that part of it which has been "put out." The private

architect has had to be content with this overflow from public offices, together with such priority factory or commercial building as has come his way, plus conversions, war damage repairs, exhibitions and suchlike, to fill the gaps.

Meanwhile, the costs of running a private office have soared along with the taxation levied on the profits, if any. To be able to handle a remunerative commission, offices must be reasonably staffed. To carry the overheads between remunerative commissions, all sorts of odd jobs must be accepted. Even so, a private office often proves undermanned to deal with a big job—and any consequent mistakes or delays will draw criticism upon the profession. Big commissions tend to be concentrated upon a minority of large and experienced firms. This is especially true of factories, generally the most remunerative work. It is said that two or three firms have handled all the sizeable factories put out to architects in Scotland since the war. It has become almost impossible to start a new practice, and survive.

Of the 18,000 registered architects in Britain over half are already in salaried employment. They have in many cases found themselves taking instruction from seniors who were hardly regarded as the cream of the profession when they first went into local government service. Their prospects rarely exceed a top salary of £1,800 and a pension. But they have done most of the worthwhile architecture since 1946. Their efforts, not surprisingly, have encountered a lot of criticism—not least from builders, some of whom have the hardihood to declare that whether or not postwar houses are better designed than their forerunners, they are not designed to minimise cost or site delays. Nor has extravagance been confined to houses, as anyone who visits a new power station soon realises.

But the disgruntled private architect is in no position to point the finger of scorn. In his small office he often lacks the resources to tackle large programmes of work or to experiment with new techniques and materials: so much so that group practice has been proposed. He must face the fact that the most remarkable postwar architectural achievement has come from salaried architects. Thus the Hertfordshire County Council first showed in its school building what could be done by pre-planning, modern technology and cost-planning; and from its pioneer work has sprung the schools building programme now organised by a team of architects, engineers and administrators in the Ministry of Education. They have not only reduced the cost per school place by 45 per cent since 1949, despite a continuous rise in building costs, but have demonstrated a variety of non-traditional methods and materials—and even invented some—within a genre of architectural comeliness which has brought foreign architects flocking to these shores. A bitter pill this for the old school, whose efforts in the interwar years hardly raised a flicker of interest among their questing overseas colleagues, who

turned rather to America or Sweden for work of note.

It is clear to almost all architects that the prewar market for their services has disappeared with the last remnants of Galsworthy's England. Even the system of competitive tenders and contracts which the architect supervises is becoming obsolete. Tendering becomes too costly when three-quarters of the bill of quantities is for specialised materials at fixed prices; it imposes a rigidity of design which keeps costs high. The idea of the architect as standing between the owner and the builder is of doubtful relevance to the needs of a new age—which are for economical, standardised, efficiently-designed shelters for families, staff, production-lines or what else. This may be vulgar; it may not leave much scope for what the old school calls architecture; but it does leave scope for a tremendous technological development which the younger school views with undoubted relish.

★

Circumscribed by the RIBA code of professional practice—a development of little more than sixty or seventy years—the private architect has tended to hold aloof, concerned at least as much with art as technology, sometimes taking refuge from technology in art; all too often disinterested in close costing and good administration. In theory the leader and grand co-ordinator of the building team (which includes the quantity surveyor, the surveyor, the structural engineer, the contractor, the builder and other specialists), the architect has, in the opinion of the radical school, all too often been lost in the ensuing babel; and the specialists sometimes have to rescue him from the consequences of his own ignorance. To reassert his leadership, it is held, the architect must again become the master-builder, a man with a technical training adequate to make him practical and at home in modern technical developments.

Immediately after the war, indeed, the RIBA set up a special committee to advise upon the overhaul of architectural education, and a second—the Architectural Educational Joint Committee—is now working over the problem again. For there is little agreement on how the architect is to be trained for his commanding position. Over a third of young architects still receive their training outside the schools—usually by training in private offices where they make insufficient contact with modern building conditions. Even in the schools, the teachers are often men who were trained in prewar conditions and have not adjusted their teaching to modern needs, though some schools are radically overhauling their methods. There is a growing feeling that architecture must be integrated with technology in general; it is even suggested that properly remodelled courses in architecture and in engineering—civil, mechanical or electrical—would share the same first-year syllabus. Students themselves seem to demand more technology and less art.

Educational reconstruction, however, would not alone solve the professional dilemma. It might provide better

technicians for the public offices, where their talents would be used or abused, according to the quality of the senior architect. It should improve every architect's power to deal with builders and specialists. But it would leave the future of undercapitalised and underequipped private practices still in doubt. Many architects hope that easier times and the private client will return, that local authorities and regional boards will disgorge commissions, and that the architect will be restored to his proper place—that of the specialist consultant who in a fiduciary capacity stands between his client and the builder, earning his fees because of his disinterested professional status.

★

Others see a different future for the private architect. The way in which he can become again the master-builder is, according to this school of thought, to be a part of a firm of contractors or builders—an honest and knowledgeable business man in the best modern professional sense. He should be neither employee nor consultant, but preferably a director. Again, he ought to be fully involved in the many firms who are making building components or developing prefabricated systems. If, it is argued, the architect is not the designer of new materials and methods, he will miss the crucial development in modern building. He will risk becoming

ing the prisoner of other men's design and architecture.

To accept such an argument means, in terms of the RIBA code, that the architect would change sides. He would become a salesman rather than the guardian of his client's interest. The institute sticks to the view that if the architect is to lead the building team, and even effectively to influence design "at the production end," he must hold fast to his fiduciary status *vis-à-vis* the client—even if the "client" is a committee of architects and technologists. The radical school thinks this argument unreal. It foresees that more and more work will be done by departments of qualified salaried officials, or by tough "business architects," while private practice shrinks to the hard core of big consulting firms, which, in numbers and organisation, will approximate to the firms of consulting engineers, who form so important, but numerically so small, a part of the engineering profession.

It is not, for those who appreciate the aesthetic values in architecture, a very comforting prospect; and, indeed, the radicals probably underestimate the strength of the small provincial practice matching the small provincial builder. But if private practice is to be kept alive as a vital, independent and experimental force—and art—amid an increasingly official architecture, the profession must certainly adapt itself, and quickly, for its survival in a changed world.

Notes of the Week

The Regency

THE Government's decision to amend the Regency Act is the outcome of decisions that began more than a year ago. Since the intention had already been discussed in the Press, there was no point in delaying the official announcement. Mr Butler on Wednesday did his best to prevent the legal change from being falsely linked in the public mind with all the recent, ill-mannered speculation about Princess Margaret's private affairs. Presumably for this reason, he did not specify the precise changes that are to be made. It is clear, however, that the amending Bill will have two objects. It will name the Duke of Edinburgh as the person who would be Regent if his son should succeed to the throne before he is 18, and it will make the Queen Mother one of the Councillors of State who act for the Queen if she is too ill to carry out her duties or if she is out of the country. The Government intends to get the Bill on the statute book before the Queen and the Duke of Edinburgh leave for their Commonwealth tour at the end of

November, since during their absence a Council of State will have to act. Mr Butler emphasised that the terms of the Bill will be agreeable to all members of the Royal Family; Mr Attlee is said to have promised the support of the Opposition; and the Commonwealth Prime Ministers, consulted while they were in London for the Coronation, are reported to be unanimously approving.

It could hardly be otherwise, for the Government's decision is plainly right. The proposed changes do not, however, merely modify the 1937 Regency Act; they suspend its basic principle. Before 1937 it had been customary to make the arrangements for Regency *ad hoc*, but the Government of that time thought it desirable and possible to make a more permanent provision. They sought to do this by laying down the principle that, with one exception, both the Regency and the composition of the Council of State should be determined by the succession to the throne. The exception was the inclusion of the consort in the Council of State. In practice, this means that at the moment Princess Margaret would be Regent and that the Council of State would consist of the Duke of Edinburgh (should he not also be out of the country with the Queen), Princess Margaret,

the Duke of Gloucester, the Princess Royal and the Earl of Harewood. The Queen Mother would not be a member because the 1937 Act specifically excludes anyone "incapable of inheriting, possessing and enjoying the Crown" from being Regent or, with the exception of the consort, from being a Councillor of State.

The need for amendment reflects simply the foolishness of trying in 1937 to lay down a general principle that could not be appropriate to every circumstance. The practical and emotional reasons for making the Duke of Edinburgh the Regent for his son, and for bringing the Queen Mother into the Council of State, are obvious and sound. They have nothing to do with the rumours about Princess Margaret's matrimonial wishes, and the amendment of the Regency Act will leave the Princess third in line to the throne and second in line for the Regency.

Mr Attlee and Mr Butler

FOR the past two months Labour MPs have been depressed by the knowledge that Sir Winston Churchill's speech of May 11th gave not only the diplomatic initiative to his country but also the political initiative to his party. The experience of wallowing in the wake of a Churchillian "peacemongering" campaign was made none the more palatable by memories of Labour's "warmongering" charges at the last election. But the worst of the Opposition's discomfort has proved to be short-lived. This week's foreign affairs debate in the House of Commons has enabled the Labour leaders to make at least a little of the running again.

On the evidence of the Washington communiqué and of Mr Butler's speech opening the debate, the Opposition argued insistently that, with Sir Winston off the scene, the approach he foreshadowed on May 11th had been discarded by his colleagues. Lord Salisbury and Mr Butler had betrayed Sir Winston, so Mr Attlee and Mr Morrison were glad to rush to his defence; Mr Morrison, all thoughts of warmongering forgotten, hailed "the spirit of May 11th" with the fervour of some latter-day St Paul. Much of this was just political manoeuvring. The later Government spokesmen were able to demonstrate fairly convincingly that there was no great difference, when it came to practical proposals, between the official policies of the two sides—granted, of course, that the Government was sincere in its protestations that the proposed meeting of foreign ministers could be a prelude to a meeting "at the highest level." But Sir Winston's proposals were really of secondary importance compared with the general temper of his speech; it was in this that the Opposition saw the real difference between him and his Chancellor.

Mr Butler had an extraordinarily difficult task, and in the result his speech did not match either the level of the event or the speculation about his capacity as a future Prime Minister. That, however, should be regarded as misfortune, and the damage to his reputation is unlikely to prove very lasting. For the moment, the pendulum which carried the Conservatives to disappointment swung Mr Attlee to some revival of his authority. At a time when his leadership is being criticised by the right wing of his party almost as much as by the left, he was fortunate to be able to make a politically effective speech on such advantageous ground.

Clamour from the Constituencies

WITH more brisk rhetoric from Sir William Lawther and more barbs from the left-wing journals, the conflict over Labour party policy is weekly becoming more ill-tempered, if not deeper. A glance at the resolutions put forward for the annual conference, and published this week, would nevertheless suggest that the conflict is wasted words: the Left looks to be plainly on top. But that is a misleading impression. Although the conference is certain to be stormy, the rebellion against official policy will not be anything like as strong as these resolutions suggest. They have first to come before committees whose task is to weed out the frankly lunatic and to boil down each group of similar resolutions into composite amendments. When that is done the clamour of the highly vocal constituency parties will seem less powerful.

The constituencies, indeed, have put forward all but 15 out of nearly 400 resolutions, and most of these have a strong Bevanite flavour. Many press for more nationalisation than is proposed in the policy statement "Challenge to Britain." A few cling to the old faith in nationalisation of all the basic industries. Others mention specifically chemicals, insurance, engineering, shipbuilding, shipping, building materials, machine tools, aircraft, textile and mining machinery, the joint stock banks and the wholesale meat trade. Thirteen resolutions demand nationalisation of the land. This used to be an integral part of Labour policy but has long since been quietly dropped—quietly at least until Sir Hartley Shawcross last weekend declared that it was impracticable. Even *Tribune*, somewhat illogically, is now pressing for nationalisation of rented land only.

The kind of opinion that the conference resolutions embody is not typical of opinion in the rank and file of the Labour party as a whole. It is rank and file opinion as distilled through the filter of the constituency party organisations, where the most active members tend to be left-wing socialist theorists. Rank and file opinion is also distilled through the local branches of the unions, whence it often emerges relatively cautious and practical. The body of opinion that is opposed to nationalisation for its own sake is hardly represented in the resolutions for the party conference, but it is expressed in the support for Mr Deakin when he urged the Transport and General Workers' Union to demand no more than the limited nationalisation of "Challenge to Britain"—and to accept that only with reservations.

The Outrageous Mr Rhee

THE President of South Korea has again sent a shock of indignation through the free world. By his statement yesterday, Mr Syngman Rhee has shown that he is impenitent and unchanged in his refusal to accept an armistice in Korea along the lines at present proposed. Thus one man continues to hold the United Nations to ransom. It is difficult not to regard these tactics as gangster politics, adopted, it is true, from motives of what in other circumstances might be praiseworthy nationalism, but the crudest

form of politics nevertheless. The result may well be a further postponement of the truce and the death of thousands more men. And to what purpose? There is not the remotest possibility of uniting Korea by force in the foreseeable future. If Mr Rhee believes so strongly it must be attempted, let him go into the trenches himself.

The latest divergence of policy between the South Korean and American governments is reflected in different interpretations of the agreement recently reached between Mr Rhee and President Eisenhower's special envoy, Mr Robertson. Mr John Foster Dulles has stated publicly that, after their meetings, Mr Rhee wrote a personal letter to President Eisenhower saying that "he would not obstruct in any manner the implementation of the armistice terms," and that he wrote a further letter to the Secretary of State saying that "while he questions the wisdom of the truce he has yielded his convictions to United States policies." Now Mr Rhee comes out with definite qualifications to this attitude which have never previously been made plain, at any rate in public. He and his Foreign Minister, Mr Pyun Yung-tai, assert that his promise not to obstruct a truce was entirely dependent on the imposition of a time limit of ninety days after the armistice, during which a political conference would be expected to achieve Korean unity by negotiation. This is virtually impossible. Failing agreement on unity, the South Koreans reserve the right to renew the fighting. General Harrison, the chief UN negotiator, has rightly given an undertaking to the Communists that the rest of the UN forces will not assist.

Puzzle in Indo-China

MLANIEL'S government is caught between the danger of a renewed offensive in Indo-China by the Viet-minh when the rains end and the likelihood of a political crisis in Paris in the autumn. The methods by which the former threat has to be met are certain to precipitate the latter. On the one hand General Navarre, the new commander in Indo-China, has asked for more men and has pulled off two spectacular, if limited, operations by paratroopers and commandos. On the other hand, the financial programme outlined by M. Laniel and the current of French public opinion are both opposed to any intensification of the military effort in the Far East.

As a further complication, there is the ambiguous attitude of the Associated States towards the recent overtures from Paris. Although Cambodia, Laos and Vietnam are prepared to enter on bilateral talks with France about greater political and economic autonomy, it is clear that they consider the French offer as no more than a preliminary move towards real independence. In Paris, however, the government is rather sharply divided about the length to which France should be prepared to go when confronted with the increasing nationalism in the Associated States. In the present conception of the French Union, moreover, neither national armies under independent command nor an economy really detached from central administrative institutions could find a place. This poses the question whether or not a French government would allow the Associated States to make a decision about staying in the French Union.

A number of conflicting solutions are being put forward. There are those who wish to continue, and even intensify, the war until France can negotiate from strength. This would mean a substantial increase in American help of which there is no sign. A second school of thought favours the greatest possible independence for the Associated States provided that they take a more active part in the war. The latter would then develop into a civil war between Asians, and probably end in a compromise peace. Those who are in favour of this solution, which has much to recommend it, are inclined to forget what a compromise might produce. It would mean either an ultra-nationalist coalition of the three states which might break with the French Union, or an eventual Communist regime under Ho Chi-minh, brought about by Communist members of a coalition government undermining and liquidating their colleagues. It is this lack of a clear and predictable solution that makes the war in Indo-China so tragic and makes so many Frenchmen feel that a way must be found to get an armistice before too long.

Bread and Shackles in East Germany

THE rulers in the Kremlin are having to fight for the existence of the Socialist Unity (Communist) Party in East Germany. Following Beria's fall, a new policy of bread and shackles—the Soviet version of carrot and stick—has been inaugurated in the Soviet Zone. A new bout of political terrorism is accompanied by continued promises of economic concessions. There is no mistaking the meaning of the dismissal of the Minister of Justice, Herr Fechner, a former Social-Democrat who went over to the Socialist Unity party in 1946. His crime is that he admitted that the right to strike is embodied in the constitution of the "German Democratic Republic." He has been arrested and replaced by Hilde Benjamin, a veteran Communist lawyer, who has earned a reputation for savage sentences based on political prejudice. With the advent of "Red Hilde" or "Long-haired Freisler" (a reference to Hitler's hanging judge), it is clear that the brief period is over in which it seemed that Herr Ulbricht would try to appease the Social-Democrat leaders in the Federal Republic. Now a hunt is on foot to unearth all workers who have retained their allegiance to their old party principles. There are many of them and most will be too courageous and loyal to denounce their comrades.

The dismissal of other leading members of the Socialist Unity Party for having shown weakness during the revolt of June 17th is only one of the signs that a desperate effort is being made to reform the disrupted party ranks. German party members are hearing the same imperative orders as are being issued from Moscow to the Communists in the Soviet Union—to leave their office seats and go among "the masses." They must argue, it is said, "honestly and convincingly" with the workers about their grievances and "mistakes." Russian officials are themselves questioning German workers. But Herr Ulbricht, whose blood the workers want, has preferred to make his latest address to a picked audience and relay it through loudspeakers to the rest of the factory.

The German Communist leaders are still talking about

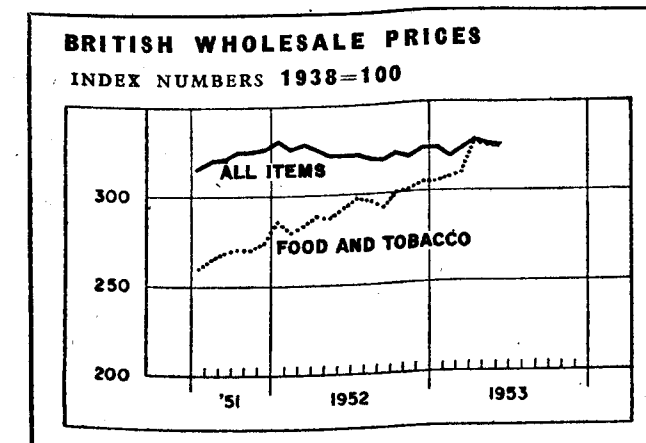
supplying more consumer goods, but they are again insisting in orthodox terms that the workers must increase production if the promised better times are to materialise. Raw materials and food, it seems, have still to be paid for by exports. Some Soviet food is being hastily sent, allegedly on credit, to counter the American offer of free supplies to the East Zone, but there is no sign that the Soviet government after turning down the American food, will itself go so far as to make any presents to the Germans. Under these circumstances, the East German Communist leaders have been in a very weak position to make their latest appeal to Bonn for a conference on unity. Since the events of June 17th there is not a single West German leader who would treat with the men whom the East Germans have so violently repudiated.

Wages, Prices and Exports

THE Chancellor of the Exchequer has acted none too soon in his renewed warning about the effect of higher wages on exports. On Wednesday he said bluntly that Britain's competitive position in engineering products had deteriorated over the past two years, and competition in foreign markets was now becoming intense. A general rise of 10 per cent in wages would, other things being equal, force export prices up by 4½ per cent, and that would "cause a serious fall in the volume of our exports."

With the engineering unions now officially pressing their claim for a 15 per cent rise, and a host of other demands under discussion, the Chancellor has no alternative but to stress this danger. It would be a pity, however, if the words he addresses to industry were misunderstood by its overseas customers. Some wages have already gone up, others will no doubt follow, some prices will accordingly rise, and other unions will take this as strengthening their claim for higher wages also. But all this is by no means as simple and automatic as Mr Butler's illustrative figures. The foreign buyer who reads reports of wage increases in Britain does not have to assume at once that he will very soon be asked to pay more.

Even the relation between increases in the cost of living and wage claims by the trade unions is very far from being direct and unchanging. From June, 1952, to June this year the index of retail prices has risen by three points only,



compared with thirteen points in the previous twelve months, but the volume of wage claims shows no corresponding reduction. The current *Economic Journal* contains an interesting study of the lag between price and wage movements over the years 1948 to 1951. If there were no lag at all, if price increases were immediately reflected in wage increases and these again, via costs, in further price increases, the currency would swiftly collapse. The longer the average lag, the more powerful the brake on inflation and the greater the chance that increasing productivity or mere good fortune may right matters before serious damage is done. The "average lag" is in fact a complex of delays—between price increases and their impact on the cost of living index, between the rise in the index and the presentation of claims, between the beginning of negotiations and the report of higher wages.

During the period 1948 to 1951 the total lag was, on the average, six to seven months. But this average masks a wide difference between the periods before and after the ending of the wage freeze. By the second half of 1951 it had fallen by nearly a half. Since 1951 it has—as the authors of the study admit—become unsafe to assume that claims "are induced only by actual, realised price changes and not by expectations of price changes." The lag may have become, in some instances, almost a negative quantity: wages are increased in part because prices are expected to rise, not solely because they have risen. If this is true, only the fall in raw material prices has of late averted a critical inflation. The outlook certainly embraces the dangers to which Mr Butler drew industry's attention.

School-building Defended

IT was not to be expected that the Ministry of Education would lie down under the strictures of the schools made by the Select Committee on Estimates. Its reply, published last week, rebuts the criticisms and rejects most of the recommendations.

The committee had blamed the Ministry for underestimating the number of new places needed and for not having precise information about obsolete schools. It recommended that the estimate should be made by "less haphazard methods" and that a national survey of the older schools should be carried out. To this the Ministry replies that the estimate was determined by Government policy (the Labour Government's) not *vice versa*. That policy rested on a deliberate decision to endure, during the next few years, large classes, makeshift accommodation, long bus-rides for some children and the use of obsolete buildings. After 1960 the school population will fall steeply, and it would be a waste of public money to build enough places to house everybody comfortably meanwhile. To do so would, indeed, be to provide extra places twice over, for the children now crowding out the primary schools will in five years' time need places in the secondary schools.

The committee also urged that the school building programme should be reorganised on a three-year basis instead of an annual one, so that larger orders can lead to lower costs and school building can keep better pace with house-building. It is certainly not the fault of the Ministry of Education if housebuilding forges ahead; that again has

been a matter of government policy. The committee might well have criticised this general over-emphasis on housing, but its criticisms were actually directed at particular cases where housing estates had been completed without schools to serve them. As the Ministry points out, it takes longer to build a school. That fact, however, lends support to the committee's proposal for a three-year school-building programme; while the Ministry could not approve such a programme in full, in advance of the annual estimates, it could effectively sanction a considerable part of it. As for the recommendation that local authorities should be urged to adopt prefabricated methods—which are not only cheaper but also quicker than ordinary buildings—the Ministry can justly claim that it has been asking them to do so for years past. It has indeed played an important part in their design and development. Perhaps it could redouble its persuasion. On the whole, however, the Minister's defence carries conviction. Most of the select committee's criticism appears to have been unfair and much of its advice superfluous.

Capital, Colonies and Conscience

POVERTY in the colonies—indeed throughout and beyond the Commonwealth—lies increasingly heavily on the conscience of the Labour party, to judge from the increased spending on development and welfare demanded by successive Labour speakers in the debate last week. Mr Shinwell and others demanded to know what the Government was doing and spending in greater detail, and criticised it in advance and in retrospect as inadequate. They not only urged that the Colonial Development Corporation and the Colonial Development and Welfare Fund should spend more, but that narrow considerations of profitability and return on capital should be waived; they urged the colonial marketing boards to disgorge their reserves; they called for greater British contributions to the Colombo Plan, to the United Nations Programme of Technical Assistance, to the FAO and other United Nations agencies; they demanded that the Commonwealth Development Corporation and private enterprise generally should get on with the job; they called for contributions from Canada, South Africa, New Zealand and Australia and advocated the transference of a few colonies to the last two as a means of loosening their purse-strings; they called for more loans from the world bank, and more dollars and colonial investments by the United States.

To these impassioned pleas to get into the shooting war against poverty and malnutrition, Mr Lyttelton and Mr Nutting, for the Colonial Office and Foreign Office respectively, gave an effective answer: that it is impossible to invest a deficit. In the year in which the Government took office, the total deficit on overseas account was £600 million; to be able to meet all the desirable projects and worthy causes championed by the Labour party, the country would need a regular annual surplus of comparable size. To some extent, the British people must choose between social services at home and welfare and development abroad. There can be little doubt which alternative politicians would prefer to put to the electorate. Nevertheless, large sums have been invested, successfully as well as unsuccessfully, in the colonial territories; the problem has

more often been shortage of equipment or skilled labour than of finance. The rate of capital formation in the colonies has been rising impressively, from £190 million in 1948 to £400 million in 1952. The development plans of the colonial governments involve the expenditure of £500 million in the next ten years, and most of it will have to come from the British taxpayer. One may sympathise with those members who urged that some effort should be made to bring home to citizens of the colonies the extent to which the British taxpayer is now carrying the burden of developments that would otherwise have to be met by forced savings—taxes—in the colonies themselves.

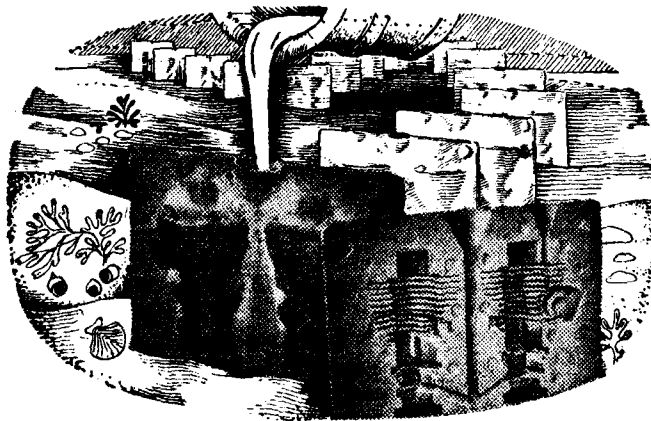
Malenkov's Dangerous Ally

IT was clear from the outset that the Russian Army was bound to benefit from Beria's downfall and the dissension among Soviet civilian leaders. The prominence given to military figures in the campaign against Beria indicates that it took an active part in the struggle. From the Caucasus Beria's fall was greeted by the army chief, General Antonov. At a meeting held in Kiev local military commanders were among the most vehement in denouncing Beria. To crown it all, great publicity was given to a meeting of the Party caucus in the Ministry of Defence in Moscow at which the elimination of the "traitor" was commended. Since all superior officers must be members of the Party, the meeting was attended by almost all the prominent army leaders, including the Minister of Defence, the political Marshal Nikolay Bulganin; his first deputy, the conqueror of Berlin, Marshal Zhukov, and the Chief of Staff, Marshal V. D. Sokolovsky.

Since almost all the elite were present absences were conspicuous. Notable among them were those of the other first deputy, Marshal A. M. Vassilevsky; of the head of the land forces, the conqueror of Vienna, Marshal I. S. Koniev, and of the former Chief of Staff, General S. M. Shtemenko. All three had at the time of the doctors' plot been described as the intended victims of the Jewish doctors. On the other hand, another intended "victim"—Marshal Govorov—took part in the meeting. Once, however, one enters into the domain of speculation, numerous reasons can be found for the absence. Thus, for example, if a deal were struck between Malenkov and Zhukov—as the leader of the fighting generals—either could have asked, to it. Zhukov could have asked for the downgrading of military competitors (and the stars of Zhukov and his friends have always been in rivalry), while Malenkov could not, tried to push into the background those directly involved in the "doctors' plot."

This is all merely guesswork, but two things are becoming clearer. First, that Beria's victors must get things properly under control, or at least must decide on the policy now to be followed. This would necessitate postponement for a week of the meeting of Soviet originally summoned for July 28th. Malenkov must have come to an understanding with the Army. Did he choose this path freely or was it imposed on him? In many quarters Malenkov has been praised for the cleverness of his move. Yet Malenkov has freely chosen such a strong ally, must have forgotten

Sand into Shells



A mixture of dry sand and a special heat-hardening BAKELITE Resin is dropped on to a heated metal pattern. A strong, light 'shell' is formed, which makes a very suitable mould for metal castings. It sounds simple, but the process represents a revolutionary advance in foundry practice. It means cleaner, more accurate castings that need little or no machining. The development of a suitable resin is another example of the practical benefits to industry that flow from Bakelite Limited's research. The story of plastics is already a long one, but new pages are being written every day — by the organisation whose pioneering efforts were mainly responsible for the general adoption of these versatile materials.

Please write for booklets describing the Shell Mould process or BAKELITE products generally

**BAKELITE
VYBAK
WARERITE**

Regd. Trade Marks

Producers of Phenolic, Urea, Alkyd & Silicone Moulding Materials • Laminated Sheet, Rod & Tube • Glass Fibre & Asbestos Laminates • Phenolic & Urea Resins.

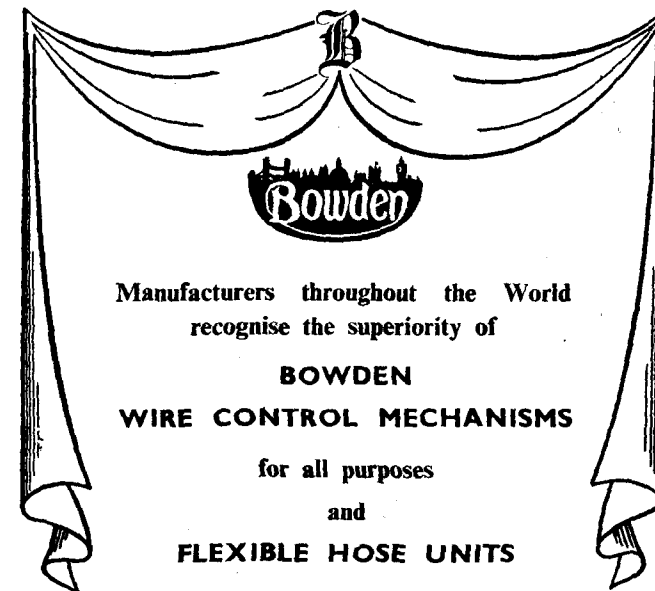
PLASTICS

Cements & Adhesives • Polyester Resins • Rigid & Flexible PVC Sheet • PVC Moulding & Extrusion Compounds • Decorative Laminated Plastics.

BAKELITE LIMITED
first and still foremost

BAKELITE LIMITED • 12/18 GROSVENOR GARDENS • LONDON • SW1
Telephone: SLOane 0898

G123



**Bowdenex Bowdenite
Bowdenflex**

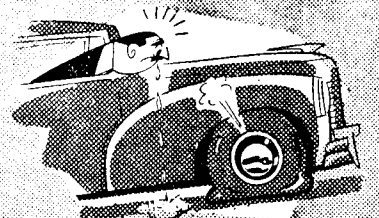
BOWDEN (Engineers) LIMITED, LONDON, N.W.10

48-126

**OUTSTANDING VALUE
IN
LIFE ASSURANCE**



EQUITY & LAW
LIFE ASSURANCE SOCIETY
20 LINCOLN'S INN FIELDS, LONDON, W.C.2



**To motorists
about to
buy tyres**

Simple steps to higher mileage

FREE

Get this valuable book

IT CAN SAVE YOU POUNDS EVERY YEAR

Do you know that with identical cars one driver may get, say, 7,000 miles and another driver 35,000 miles from tyres of the same make? Just think of that. One buys 25 tyres while the other buys 5. What is the secret? This book will tell you. Read how to get thousands more miles from your tyres. It is free from 'padding' and is free to you. Post the Coupon NOW (1d. stamp in unsealed envelope). Issued in the interests of motorists by The Avon India Rubber Co. Ltd., Melksham, Wiltshire.

POST NOW

TO: THE AVON INDIA RUBBER CO. LTD., Melksham, Wiltshire. Please send me free of charge a copy of "TO MOTORISTS ABOUT TO BUY TYRES."

NAME, Mr. Mrs. or Miss
BLOCK LETTERS

ADDRESS

E.7

THE COST OF DRYING THINGS

Millions of tons of fuel are used in Britain every year in drying processes, many of which are inefficient and wasteful.

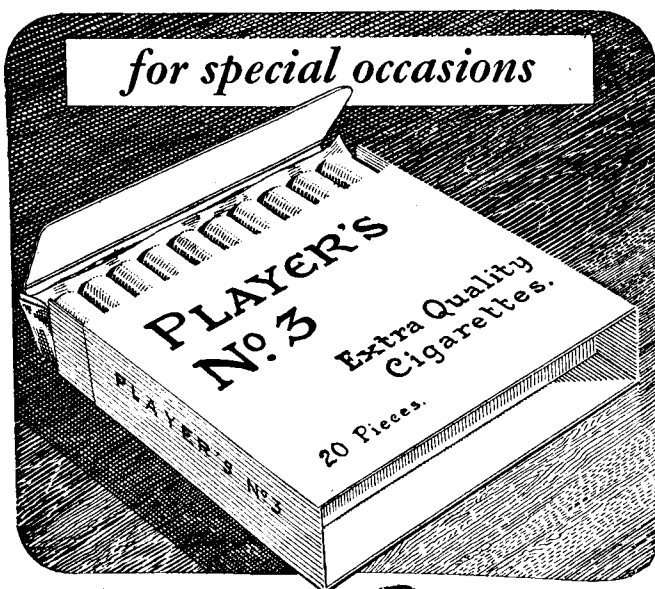
When coal was cheap no one worried unduly, but today the cost of fuel used in drying is a serious expense item which tends to get buried in general overhead without receiving the close control given to economy of raw materials. Furthermore, many drying processes are as ineffective as they are extravagant.

Eight years ago, we started a specialised service to the Metal Goods Industries by providing Gas Infra-Red Tunnels for drying paints and varnishes. Today our techniques have wide application as varied as those employed in fish curing and textiles.

We are ever looking for new drying problems to solve. Nearly every industry has one. Send yours to:

PARKINSON & COWAN GAS METERS
(A DIVISION OF PARKINSON & COWAN LTD.)
ENGINEERING DEPARTMENT (E)
Cottage Lane Works, City Road, London, E.C.1
Telephone: Clerkenwell 1655

for special occasions



**PLAYER'S
No. 3**

The Quality Cigarette



[3P 111]

Machiavelli's warning "that a prince ought to take care never to make an alliance with one more powerful than himself for the purpose of attacking others, unless necessity compels him . . . because if he conquers you are at his discretion, and princes ought to avoid . . . being at the discretion of anyone."

France Gets Russian Trade

A SIGNIFICANT, if minor, development in the cold war was the signing last week of a Franco-Russian trade agreement. It is to run for three years and the volume of trade each way is fixed for the first year at 12,000 million francs (some £12 million). While the volume is small in relation to total French trade, it is much larger than in the past and, what is more, the exchanges that did take place in recent years left France with a deficit which had to be paid in gold or dollars. If the present agreement works according to plan, French imports from Russia will be twice those of last year and the Soviet Union will take six times as much from France. Commercially there can be little doubt that it is a very good bargain for France.

France will receive from the Soviet Union such strategically important commodities as chrome, manganese and oil and also such dollar savers as maize. In return France will deliver a number of consumer goods—citrus fruits, wool and rayon yarn and cocoa; but it will also get some commodities that Congressional watchdogs in Washington would like to regard as strategic, though they do not appear on the embargo list. These include boilers, cranes and cargo ships up to 5,000 tons. In fact, there seems to have been little attempt by the Russians to embarrass the French by insisting on strategic goods; for example, they did not hold out for tankers, one of their favourite demands. The agreement has the additional merit, in French eyes, that it comes at a time when French exports are selling with considerable difficulty and the trade deficit is mounting steadily.

France has been eager for some years to conclude a trade agreement with Russia, but not until recently has the Soviet Union shown reciprocal enthusiasm. It is fairly plain that its new co-operativeness springs more from diplomatic considerations than from economic motives. For one thing, the propagandists for east-west trade have now been provided with a showpiece which will be used incessantly to obscure the fact that fundamentally Russia is not a reliable market for western consumer goods nor a cornucopia of food and raw materials. Its economic aim remains self-sufficiency for a great land bloc. Its political aim is to create internal dissension, by just such measures as this, among the western powers.

Moreover, it requires only a second's thought to appreciate that Russia could have obtained precisely the same commodities from Italy or a number of other western countries. Yet, in recent trade talks with Italy, Soviet negotiators have maintained an inflexible demand for strategic commodities. Forbearance towards the Italians would not yield the same political dividends as with one of the Big Three.

A Windfall of Roubles

THE Russian offer of four million roubles for Uno's technical assistance programme, followed almost immediately by a similar offer from the Polish delegate, took the meeting of the Economic and Social Council in Geneva by surprise. The offers were sandwiched between speeches critical, to the point of abuse, of American motives in providing help to under-developed countries, but they mark a complete reversal of Communist policy towards this aspect of Uno's activities. Previously Moscow's line has been to denounce its work on technical aid as an imperialist intrigue against backward countries. Although the first contribution by the Soviet Union (and Poland) is modest, considerably smaller than Britain's and only a fraction of that of the United States, it is surely to be welcomed as one of the more solid gestures that post-Stalinist Russia has made. The reaction of the American delegate in welcoming the new move without qualifications is clearly right.

The motives underlying the *volte face* at this juncture are obscure; but it is not unlikely that the Russians have become aware of the prestige and propaganda value of extending material assistance to certain countries. Technical assistance in the UN manner is, however, a two-way trade: experts and research fellows move both into and out of each participating country. It would be a most interesting development if the Kremlin showed itself confident enough to let Russian technicians and students go forth into the free world to take an active part in the technical aid programme.

The prospect of a Russian technical expert advising on nutritional problems in India or of Ukrainian researchers at Oxford is fascinating enough; but imagination boggles at the prospect of an American national accounts expert giving advice at the Gosplan headquarters. It will be interesting to see whether the Russians propose to subscribe to this two-way exchange of experts and facilities encouraged by the Technical Assistance Board. No doubt some kind of restraint on the political activities of visiting experts will be required and guarantees will have to be given against the corruption of visiting students by their hosts. A more generous exchange rate for the rouble will be required if fellowships tenable at Moscow's scientific institutes are to be at all attractive.

Uphill Fight for Fish

THE second annual report of the White Fish Authority was discussed in Parliament last week. If not precisely disillusioning, the picture of the authority's activities can hardly be called cheerful. Its primary job is to encourage and facilitate self-help within the fishing industry. It can grant loans for building new ships—an astonishingly high proportion of the fishing fleet dates back thirty years and more—and can also spend money on research, training and publicity; but its chief aim is to further co-operation within the industry, and notably to rationalise the Aberdeen fleet into more economical units, to establish a joint marketing organisation, to develop co-operative freezing facilities, and

to work out an agreed scheme of freight equalisation for consideration by the Transport Commission. The subsidies granted in 1951, and supplemented later by building grants, were meant merely to keep the industry going until these longer-term schemes should bear fruit.

But the authority reports almost uniform failure to win a response from its constituents. Its loans found no takers, costs of construction being too high in relation to earnings; the Aberdonians remain aloof; "insufficient support" was forthcoming either for the authority's scheme of voluntary price stabilisation or for the freezing plan, on which negotiations continue; Fleetwood and Grimsby objected to the freight equalisation plan favoured by the more distant ports. The subsidy—on strategic arguments more justifiable than most—continues at a higher rate; the reforms for which it was supposed to give breathing-space are still to seek.

The industry has, of course, had some bad luck to contend with. On the one hand it has suffered from the Iceland dispute, forcing the deep-sea trawlers further afield, and from general increases in operating costs; on the other, it has had to face the competition of more plentiful meat and eggs. These factors—which between them lowered the last twelvemonth's landings by 5 per cent in volume and 10 per cent in value—would have been operative whatever the Authority's success. Moreover, it has not despaired of seeing persuasion bear fruit. Meanwhile it is, on its own initiative, conducting experiments in the technique of quick-freezing at sea; this, if successful, should both reduce wastage and bring a better product to the fishmonger's. Such an improvement in quality opens the best chance of recapturing the consumer's favour.

Charitable Trusts

THE House of Lords returned this week to a subject raised just over four years ago. On that occasion its motion arose out of Lord Beveridge's report on "Voluntary Action," which discussed the place of voluntary effort in the welfare state and the future of the many charities whose purposes the state has largely superseded. As a result of the debate, the Labour Government set up a committee to survey the law and practice relating to charitable trusts. The recommendations of this committee (discussed in *The Economist* of January 10, 1953) formed the main subject matter of this week's debate. It is regrettable that the present Government's attitude to the report appears to be lukewarm. Even the promised Bill on imperfect trust instruments has not been forthcoming, and the Lord Chancellor showed little enthusiasm for the committee's other proposals.

One of these was that all trusts should be registered with the Charity Commissioners or the Ministry of Education. At present, public information on the number and size of trusts is scanty. But a good idea of their enormous range and variety is provided by "Trusts and Foundations," which has been opportunely published* this week. This guide covers only a tiny proportion of the trusts and foundations that are known to exist in the United Kingdom and the rest of the Commonwealth—and there are probably many more whose existence is unknown to the Charity Com-

* "Trusts and Foundations." Compiled by Guy W. Keeling. Bowes & Bowes. 194 pages. £2 2s.

missioners—but it gives an excellent cross-section. Thus cheek by jowl (the guide is arranged alphabetically) with the seventeenth century Morden College at Blackheath for the reception of old widowers or bachelors, which has a capital of well over half a million pounds and an annual income of £66,000, is the Mullaghmore School Trust Fund, founded in 1920 for the benefit of children attending the local primary school, with a capital of £60, of which only the income is available.

Other startling contrasts can be found on almost every page of the guide. It is intended, however, to do more than give a list of charities large and small for interest and entertainment. Through its classified index, which will enable social workers and potential beneficiaries to see what funds are available, it will do much to make charity more effective—besides itself providing a fruitful example of "voluntary action."

Mr Markezinis' Visit

MR MARKEZINIS has gone back empty-handed after his visit to London last week, but that is not necessarily a reason to judge his visit a failure. He came primarily to explain and to explore, and this he has done, both in Whitehall and in the City. He himself is reported to be well-satisfied with his talks; his optimism will be justified if in the months ahead Greece is in fact able to increase its trade with this country and if British investors do indeed decide to invest in Greek development projects.

Greece is not particularly attractive to the foreign investor, nor is its record as an international debtor encouraging. (No progress towards a settlement of Greece's prewar debts seems to have been reached last week.) On the other hand, for the first time since the war, Greece is being governed by men who are clearly making a real effort to put their country's economic house in order. They have cut down on government expenditure and are gradually reducing the overblown civil service to its 1940 level. In an effort to stimulate exports, they have carried out a long overdue devaluation of the drachma, and the other week they lifted almost all import restrictions. These measures have not been without their ill-effects; both the cost of living and unemployment have risen. The rise in the cost of living—7.8 per cent since last March—is not as bad as the Government feared it might be, but the increase in unemployment is causing a good deal of anxiety.

Field Marshal Papagos's government is pinning its hopes for Greece's long-term recovery on its five-year development plan. The plan is reasonable enough in theory; the trouble is to find the money to put it into effect—and this at a time when American aid has been drastically cut. The total cost of the plan is estimated at \$235 million, of which \$131 million is in foreign exchange. About half of this should be provided by unused balances of American aid funds, the current year's allocation of aid (a mere \$20 million) and EPU funds. If the government's efforts to persuade Greek shipowners to repatriate their earnings were to be successful, this would provide a substantial contribution towards the remainder. But as things are, if its plan is to be carried out the government will have to depend on the International Bank or foreign investors.

Letters to the Editor

Theory of the Welfare State

SIR—You say in your issue of July 18th that "the Conservative conception of need" and a means test is roughly handled in Mr Hagenbuch's analysis" in the current number of *Lloyds Bank Review*. It may be so; but Mr Hagenbuch himself made remarkably little headway on the subject.

"May it not be," he concluded, "that the solution lies not in a hotch-potch of different types of means test, discriminatory charges and the like, but simply in an extension of the principle of insurance?" He instances insurance "for the more costly" health services, but does not suggest how the same principle could be extended to education or, say, subsidised housing.

The Conservative party's conception of the social services does, of course, include and strongly support the insurance principle for the whole range of social security payments. But it is a corollary of the insurance principle that those not insured can only be relieved after satisfying the very test of need which Mr Hagenbuch rejects. He wishes to abandon universal free education and universal free treatment in sickness; but he does not say on what principle the amounts which are to be paid by different persons for these services would be decided, nor how, for example, the rents of subsidised houses are to be fixed.

Where insurance is impracticable, either the subsistence means test must be imposed throughout, or we must fall back on that "hotch-potch of different types of means test, discriminatory charges and the like" which Mr Hagenbuch so contemptuously dismissed. Perhaps after all this empirical approach of the Conservative party to each of the social services individually has something to be said for it.—Yours faithfully,

J. ENOCH POWELL

House of Commons, S.W.1

More Academic than Free

SIR—Mr McGeorge Bundy's letter gives a wholly inadequate impression of American opinion about Communists and alleged Communists in higher education. Mr Bundy says that "most of us in the United States" believe that as a general rule Communists are not fit to serve in universities. The only exception he mentions is Senator Taft, whom he describes as "annoyingly independent." ("Annoyingly" seems an odd word for an American to couple with "independent.")

The American Association of University Professors, the only national organisation of teachers in higher institutions, which for forty years has been chiefly concerned with the defence of academic freedom, has repeatedly reaffirmed its adherence to the position that Senator Taft has now taken. The faculty of Political Science of Columbia University takes the same position. So do Alexander Meikeljohn and Robert S. Lynd, to mention only two of many whose names spring to mind. Albert Einstein has gone further and demanded a campaign of civil disobedience against the investigating committees.

I should have said that most of us in the United States who are seriously concerned about the integrity of our institutions applaud Senator Taft's statement as an expression of sanity and common sense.—Yours faithfully,

ROBERT M. HUTCHINS

San Marino, California

★

SIR—On the "Letters" page of your July 11th issue you state: "*The Economist* believes that no one should be dismissed because of his political opinions unless it can be proved that they have led him to speak or act against the spirit of the institution he serves." That principle seems to be entirely in accord with the policy of barring members of the Communist Party from university faculties. It is well known that membership in the Communist Party entails much more than holding certain political opinions which can be given concrete expression through established democratic processes. Such membership requires that the individual be prepared to surrender his duty of independent criticism and even his conscience to the direction of the party, a direction he is powerless to control.

As you have stated, it is one of the primary functions of a free education to present alternative views. A teacher who joins the Communist Party establishes a presumption that he is not, or at least may not be the custodian of his own judgment. Is he then to be considered still competent to present alternative views in objective fashion, or to sustain further that spirit of free and impartial inquiry which distinguishes a university from a trade school? Does not his acceptance of membership in itself constitute an act which clearly violates the spirit of the institution he serves?—Yours faithfully,

CHARLES O. COOK, JR.

Washington, D.C.

The Riddle of Prosperity

SIR—The first article in your issue dated July 11th ends with the sentence "how shall we make the British people determined to be prosperous?" Although there was a time when I thought that the "carrot" was the answer, I think now that perhaps that was an oversimplification. I am reminded of a story told about the reactions of Mr Ernest Bevin when he saw the wealth of finished commodities owned by many American workers. Mr Bevin is said to have exclaimed "in Britain there is a poverty of desire." By some curious thinking, there is a powerful body of opinion in this country which believes that a desire for material wealth is something evil whereas, of course, in a competitive world as we have it and which must be accepted, the great danger which faces Britain is a fantastic indifference to inefficiency.—Yours faithfully,

W. McMILLAN

Alderley Edge, Cheshire

Farm Rents

SIR—It appears to me that farm rentals fixed by arbitration are substantially below the rentals which market yields would dictate. The actual figures for two farms are:

	Farm "A"	Farm "B"
Acreage	61	103
Rental at date of probate	£99	£135
Probate value at August, 1951, as agreed in autumn, 1952	£3,000	£4,700
New Rental: Statutory arbitration, June, 1953	£140	—
Voluntary arbitration, Dec., 1952	—	£214
Gross Yield (before charging repairs, insurance and management expenses) ...	4.67%	4.55%

The foregoing may be compared with the Agricultural Mortgage Corporation's current rate of interest of 5½ per cent. Further, it should be noted that under the Agricultural Holdings Act farm tenants are protected and consequently a tenant-occupied farm is worth less than one with vacant possession. In theory, therefore, the capital values employed for the above farms are understated.

Whilst appreciating that interest rates have changed between August, 1951, and now, I feel that this can hardly account for the substantial discrepancy. There would appear to be two main reasons for fictitiously low rentals: (a) The failure of landlords, for various reasons, to raise their rents; (b) The lack of a free market in farms to let.—Yours faithfully,

London, S.W.1

ANCRUM EVANS

Books & Publications

The Acheson Years

SURVEY OF INTERNATIONAL AFFAIRS, 1949-50.
By Peter Calvocoressi.
Oxford University Press. 590 pages. 52s. 6d.

DOCUMENTS ON INTERNATIONAL AFFAIRS, 1949-50.
Selected and edited by Margaret Carlyle.
Oxford University Press. 796 pages. 63s. net.

THESE two tremendous volumes cover two tremendous years, the time when the Acheson-Bevin policy was at its firmest and clearest in Europe, though still fumbling in Asia. The North Atlantic Treaty was being signed and executed, Western Germany was being built up, Western Europe was struggling by devious ways towards a first pattern of unity; in the East the Communist republic in Germany was being set up, Tito was breaking away towards the western camp, the grip on Eastern Europe was being consolidated. In Asia the Korean war started, China joined in, and the United Nations found itself formally engaged in a war for its principles. What a period for a historian to tackle, what a mass of events in which to find the true pattern, and what a medley of emotions to be detected and overcome in the evidence and in the planning of its use.

In a short introduction Professor Arnold Toynbee takes a telescope and sees a pattern of rivalry between two great powers in two areas. But the brunt is borne by Mr Peter Calvocoressi, who marshals evidence admirably and here and there produces badly needed sections of analytical discussion. This volume is far more readable than his last and he is gaining in skill and confidence as his work catches up with events. The successor to this volume, which deals with two years, will deal—as is the Chatham House tradition—only with one. It is something to look forward to.

There are two major criticisms to be made. Firstly, the emphasis is too much on the strategic pattern. Admittedly, much that happened in those two years was the result of fear of war and an effort to take up better positions in case it came. But even in the United States and Russia, the dominant rivals, one must doubt whether strategy was as dominant in policy as would appear from Mr Calvocoressi's view. Recovery from the war was still incomplete; policies were deeply affected by economic difficulties and the political disruption caused by the return to peace. It is, of

course, extremely difficult to say where international affairs begin and national affairs end. But it is a matter to be thought about in the preparation of future volumes. Likewise, more attention should be given to the part played in these rivalries by conflict of ideas, or rather by fear of ideas backed by the resources of powerful governments. There is a quotation from Ranke on the title page which rouses unjustified hopes.

Secondly, the treatment of economic affairs is dull and thin, although that appears not to be Mr Calvocoressi's direct responsibility. Russian policy and the American reaction to it created new economic patterns both in and beyond Europe; rearmament and the restriction of trade with the Communists had their impact on domestic economies and deeply affected governments' attitudes to the United States. The institutions that Professor Hawtrey studies are less important than the events they were set up to control.

The documents are quite invaluable both for regular use and for the study of the survey. By getting them out of the way the historian is able to provide excellent footnotes and to furnish a running sequence of cross-references. But how much bigger and how much dearer are these valuable books to become? One can only ask the question, not answer it.

Steadily and Whole

RETURN PASSAGE.
By Violet Markham.
Oxford University Press. 260 pages. 21s.

TO have opened an alert and observant eye on the world of the 1870s and to remain alert and observant in the 1950s is almost in itself a sufficient qualification for an autobiographer. When the greater part of the interior has been filled with a devoted, distinguished and richly varied career of public service the autobiography becomes something of a historical document as well as a personal record. Miss Markham has a further and rarer qualification, harder to define than length and richness of experience or a gift of straightforward, unemphatic but often entertaining narrative. It is a capacity to move, in a very special sense, with the times; neither clinging nostalgically to Victorian security or Edwardian elegances nor repudiating, in the name of the brave new world, the standards and values of earlier days, but seeing the whole long perspective steadily and whole through a wise

but essentially contemporary eye. It is a capacity deriving from courage, charity, strong principle and an open, ever-receptive mind.

These qualities shine through narrative, digression, anecdote, personal assessments and appreciations, political and social judgments, whether Miss Markham is describing a happy childhood as the youngest member of a large prosperous Victorian clan, discussing the party politics of the 1900s, telling of travels and encounters in Egypt, South Africa, Canada and the Far East, recalling the trials and disappointments of the National Service Department in the first world war or the humours of the women's services, pondering the hard lessons of the National Assistance Board, weighing the gains and losses of the welfare state—or talking about dogs. The more personal side of the story—friendships, tastes, brief happy marriage—is neither suppressed nor obtruded. The final chapter is, typically, a testament of religious faith.

"Return Passage" is a footnote to political and social history and an unfailingly interesting story; it is equally significantly a study, no less valuable because entirely unselfconscious, of the forging and moulding of a character.

Economics and "Realism"

THE LOGIC OF BRITISH AND AMERICAN INDUSTRY.
By P. Sargent Florence.
Routledge and Kegan Paul. 368 pages. 28s.

NEARLY three years ago, Professor Sargent Florence complained of the lack of what he called "realistic economics—resting on actual observations of economic life"—in this country, observing of some of his colleagues

I have been careful not to say that the pure economist is valueless but, if I may borrow one of his own conceptions, his marginal utility is low.

He has now supplied, in this book, an impressive essay in the economic technique that he favours; and it does not lack some piquant examples of his own characteristic prejudices.

In form, this is a much enlarged revision of Professor Sargent Florence's classic "Logic of Industrial Organisation," published some twenty years ago. In content, the mass of data on British industry that has become available has enabled him to fill out with evidence many of the generalisations he made in the thirties; to widen his discussion of the structure of industry, in size and location; and to illustrate his discussion of the efficiency of different patterns of control in industrial organisation. Comparison with the earlier volume reveals how seldom the author has felt it necessary to discard or seriously revise a judgment; but this revision has added much more elaborate documentation to a textbook still almost alone in class and approach. This book, it should perhaps be added, is more than a textbook; it is an original work of economics that a businessman may be able to read with advantage and without exasperation.

FIRE! PRODUCTION LOST BUT FOR NU-SWIFT!

A spark...a flash...fire blazing...dial 999!
But for at least five minutes that blaze will be YOURS alone! Reliable Nu-Swift is the world's fastest and most certain fire-killer.

NU-SWIFT LTD · ELLAND · YORKS
In Every Ship of the Royal Navy

Are your sales on the up grade yet?

I wish they were. We've given our sales staff pep talks. And spend a mint of money on advertising.

But are you using the right media? I've never seen your ads. in the Daily Mirror, for example.

I don't happen to like the Daily Mirror.

Maybe not, but 4½ million other people do. And do you know why? Because it has the guts to say what it thinks with no beating about the bush. It hates cant and hypocrisy, and it claims to be, and IS the paper that dares. Personally, although I don't always agree with its opinions, I like the Mirror very much.

Oh, it has a big sale, I know that.

BUSINESS FINANCE

By

F. W. Paish, M.C., M.A. (Cantab.)

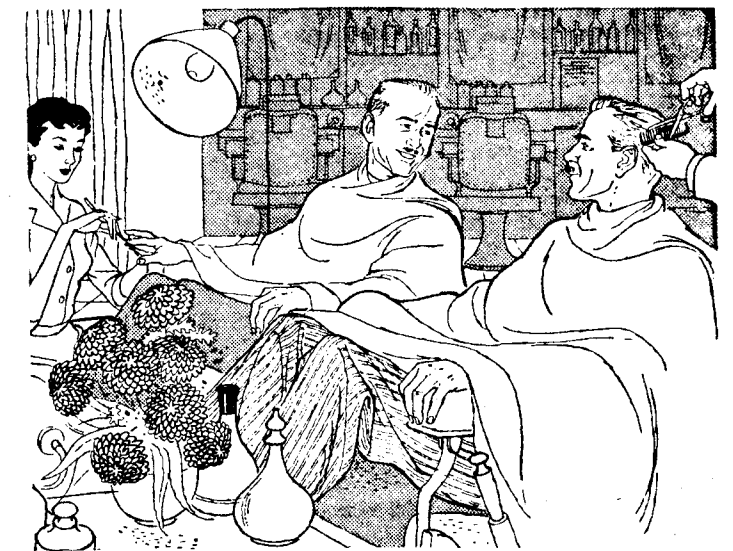
Professor of Economics (with special reference to Business Finance) in the University of London.

The problem of providing the necessary finance for the improvement and extension of the equipment of British private industry is one of the most urgent confronting the country today.

This book, based on lectures delivered to London University undergraduate students of economics, deals with the subject from the economic rather than from the legal or accounting aspects. It explains some of the more elementary principles and practices of business finance in Britain, and discusses the nature of finance and the methods by which business undertakings acquire the finance they need. An invaluable book for university students. 12/6 net.

PITMAN

PARKER STREET · KINGSWAY · LONDON, W.C.2



The biggest daily net sale in the world, to be precise. And if you're so prejudiced as to ignore 4½ million potential customers because you and they read different newspapers, you're not the shrewd business man I've always taken you for. By the way, I might mention that space in the Daily Mirror costs less per square inch per thousand than in any other national daily.

Daily Mirror

THE BIGGEST DAILY SALE ON EARTH

In particular, the censuses of production in 1935 and 1948 have not led Professor Sargent Florence to modify his firm belief that "large-scale production, especially when conducted in large-size firms and plants, tends to result in maximum efficiency." He does not accept the view of other economists that large-scale organisations necessarily weaken the effective control that management can exercise; he holds that this is essentially a problem in political science, to be solved by (and in practice often already solved by) good "line and staff" organisation. He finds, incidentally, that in Britain and America it is the same industries that tend towards large-scale organisation (and indeed towards monopolistic control). But he also believes that many large concerns—particularly horizontal combines—do not in fact reap the potential advantages of large scale; and though he notes the latest arguments that large organisations tend to promote technical progress, he attaches some importance to the possibility of "defensive research," to defend established positions, by these large groups.

This careful empiricism, of which a particularly interesting example is a dispassionate but powerfully solvent examination of the "managerial revolution" thesis, does not preclude the author from venturing some broad personal conclusions where as yet little evidence can be available. His own strong views colour an interesting and unorthodox critique of the role of the Stock Exchange in gathering savings into capital; and also a provocative "scoreboard" comparing the degree to which different kinds of leader in business—the traditional entrepreneur, the family businessman, the financier, the promoted executive, and the trained administrator—can be expected to possess the qualities industry needs for progress. But the author is well aware that there are simply not enough facts on these matters for him to back his every hypothesis with statistics; and the book would be much less attractive without its lacing of uncompromising views—even if some are not altogether "realistic" as defined.

Poet in Exile

UGO FOSCOLO: *An Italian in Regency England.*

By E. R. Vincent.
Cambridge University Press. 255 pages. 25s.

UGO FOSCOLO reached his English exile in 1816 and died here eleven years later at the age of forty-nine. His reputation reached London before him: he had written a novel of unhappy love; his poetry was profound; living in occupied Italy, he had bearded a Napoleonic government and been dismissed from a professorship. His manners turned out abrupt, it was true, and his temper short; but he was a poet, a hero, and a foreigner, and the angular face set in a blaze of red hair appeared at many of the dinner tables of London where tyranny was hated

most, and where for lack of belief in other deities men and women worshipped the memory of Charles James Fox. Foscolo was befriended by the leaders of Whig society, men who held to their friends once they had made them; and even though he terrified Wordsworth at a party of Haydon's, he was still asked to dine at Holland House and Lord John Russell came to call when he was ill. No one can recapture the brilliant conversation which enthralled his English hearers; yet in this charmingly written (and finely printed) book Professor Vincent has shown with sympathetic understanding why the Whigs were glad to receive this wayward and bizarre Ionian-Italian, and how their tactful generosity supported him financially.

With two things in England Foscolo never managed to come to terms: the manners of the women, who found him less irresistible than had his many Italian mistresses, and the outlook of the tradesmen, who insisted that their bills be paid. After a restrained treatment of various attempts of Foscolo's, all failures, to secure himself in the affections of some English girl of good upbringing, Professor Vincent embarks on the sordid tale of his fall. Its cause seems to have been an entire inability to spend within the limits of an income of which the poet's incorrigible optimism always exaggerated the likely size; this inability led him to a short spell of prison and to long spells, intolerable to a man of poetic temperament and capacities, hiding in the noisome slums of expanding London.

Unhappily, the author has packed all his scholarly apparatus into notes at the back, has scorned biographical footnotes and overloaded his text with their content, and sometimes writes too much in a "shown to the children" tone. Yet this is an engaging book, and should certainly stimulate interest in the fascinating though often repellent character of its hero.

How Congress Works

CONGRESS AT WORK.

By Stephen K. Bailey and Howard D. Samuel.

Douglas Saunders with MacGibbon and Kee. 502 pages. 30s.

THE LEGISLATIVE STRUGGLE.

By Bertram M. Gross.

McGraw Hill. 472 pages. 52s.

BRITISH readers are often flattered to find in the works of American professors of political science that the United States can never be saved without something like the parliamentary system. The writers of these two books do not indulge in this form of flattery, which is really a kind of escape from the much more exhausting tasks of assessing the real role that Congress plays in American life and suggesting workable reforms.

The need to know how Congress works is not confined to the citizens of the United States, and Messrs. Bailey and Samuel have provided the most

painless method so far devised of initiating the reader into the private language of this strangely casual yet ritualistic world. The authors give a series of case studies, which illustrate, for instance, what actually happens when a committee chairman decides to block a measure, when a senator exercises his right of patronage, when pressure groups start lobbying, when a committee investigates, when an unpopular tax law has to be pushed through, when a treaty is ratified and when a President vetoes a bill. In addition the election campaigns of one senator and two representatives are analysed and a typical working day in their offices described. There is a chapter on the way Congress organises itself in the first week of a session and one on what happens when it adjourns.

The advantages of this method are very apparent: it makes for a detailed yet lively and atmospheric book that deserves to be widely read on both sides of the Atlantic. There are some corresponding disadvantages, which make the book less than its subtitle suggests: "A Complete Guide to the American Government Machine." Because, in the attempt to cover the whole ground, there are so many case histories, loose ends are often left trailing; and, while the course that was actually followed in each event is explained, not much idea is given of the range of choice open to the participants.

This gap, however, is filled by "The Legislative Struggle." Mr Bertram Gross is a congressional technician; he has worked as staff adviser to various Senate committees and later as a White House official concerned with congressional relations. Now he has written a guide for legislators, for those who are being legislated for and those who are being legislated against.

Unfortunately, he has also had the additional ambition of "developing a theoretical structure, a systematic method of thinking about legislation." This has made for the kind of heavy, graceless writing that too many people, and sociologists in particular, present as a certificate of scholarship. Mr Gross's main thesis is that all legislation must be thought of in terms of a group struggle, the prize being a transfer of a greater or lesser degree of wealth and power. All politics are special-interest politics, though some interests are more special than others.

Mr Gross's book comes alive when he calls on his practical experience in helping to promote legislation. Then, from beneath the sociological gloss there emerges a fascinating account by an old hand of the ploys and counter-ploys required if the legislative battle is to be fought and won. It is clear that as much earnest study has gone into the tactics of Congress as into the tactics of bridge or the practice of lifemanship; the author reprints, as evidence of the useful field work that has already been done, a memorandum of do's and don'ts for witnesses issued by the National Association of Manufacturers and a list of 15 rules on "How to Beat a Filibuster Without Cloture."

WORKERS IN THE TEAM

Number 3 in a series



This thoughtful, sensitive face belongs to a craftsman. Walter Turner is a man for whom only first class work is good enough.

He started work with the Company in 1925 after serving his apprenticeship as a joiner. Today he is general foreman in charge of important work: and everyone knows that under Walter's eye even the smallest details will be attended to thoroughly.

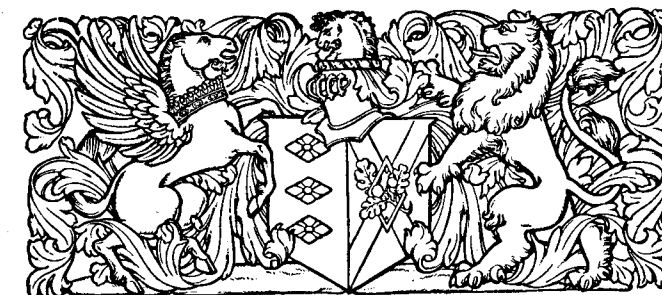
He has shares in the Company—a privilege reserved for those who set an outstanding example. But his chief reward comes when a fine job has been done and its

quality is noticed: then, his face lights up.

He takes great pleasure in the Company's annual outings because there he meets old fellow-workers and they talk of past jobs tackled together. For all his work is shared. This is the real secret of the satisfaction he gets from life: good work done by a team of which he is one.



John Laing and Son Limited
Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka
Established in 1848



Quality Furniture has BRITISH LEATHER UPHOLSTERY

For long life and comfort there's nothing like leather

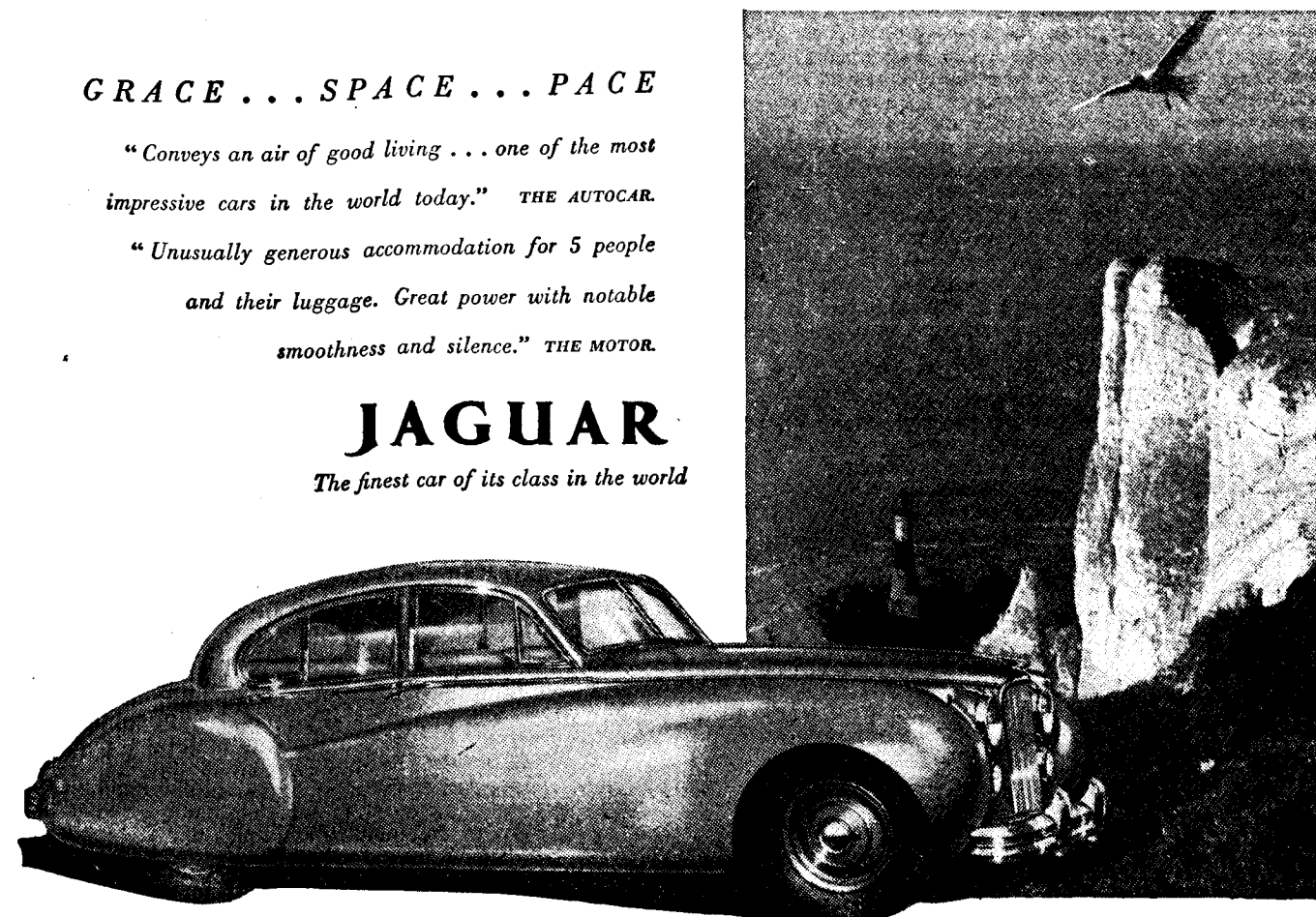
GRACE . . . SPACE . . . PACE

"Conveys an air of good living . . . one of the most impressive cars in the world today." THE AUTOCAR.

"Unusually generous accommodation for 5 people and their luggage. Great power with notable smoothness and silence." THE MOTOR.

JAGUAR

The finest car of its class in the world



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.

Gamble in Washington

Washington, D.C.

THE meeting in Washington of the Foreign Ministers of Britain, France and the United States was held at a moment of such supreme awkwardness for the members of the Administration that if Mr Dulles and his colleagues—the representatives of the strongest power—looked like hunted men beside the unruffled calm of Lord Salisbury and the insouciance of M. Bidault it was not to be wondered at. The meeting coincided with the last three weeks of the congressional session, a time when the strongest official of the Administration tears his hair and wishes that he had quietly stuck to making motor cars or practising law.

When the Ministers met, the Administration had on its hands five fights with Congress which directly or indirectly affected the questions to be discussed. The Mutual Security Act was just entering the torture chambers of the Senate and House Appropriations Committees with a poor chance of emerging unscathed; the Bricker amendment, which would limit the treaty-making power, was being debated; and the Nato protocols, designed to commit the ultimate treachery of permitting American troops in other Nato countries to be tried in foreign courts for off-duty offences, were being passed over vocal opposition. Moreover, the Senate and the House were about to go into conference to decide what strings should be attached to the renewal of the Reciprocal Trade Agreements Act; and Senator McCarran was sharpening his axe for the Bill which would permit the entry of a quarter of a million extra immigrants.

Each one of these measures demanded the personal pleading and testimony of senior officials of the Administration. Such a witness cannot, in the nature of things, tell his congressional masters that he is preserving an open mind, or that the policy which he is asking them to endorse or support with cash may be changed in the immediate future. He must be as apocalyptic as an Old Testament prophet and as immutable as Moses, otherwise his advice will be ignored. On July 9th Mr Dulles, speaking before the Senate Appropriations Committee in support of the Mutual Security Bill, testified that nothing had changed in the Soviet attitude to the free world and that the European Defence Community was still one of the primary objectives of Western policy. That was the day before he sat down with his British and French colleagues to discuss whether either of these propositions was still true.

On another front, the White House was engaging in its first real trial of strength with Senator McCarthy, from which it emerged, despite the Senator's renewed blast at British trade with China, with a reasonable amount of success. On yet another, the Administration was vainly

trying to make some sense out of the courtly exchanges in Seoul between Mr Walter Robertson, the Assistant Secretary of State for Far Eastern Affairs, and President Syngman Rhee. And to cap the confusion, the news of Beria's arrest arrived almost simultaneously with Lord Salisbury.

In the light of the situation prevailing in Washington it is remarkable that the meeting of Foreign Ministers produced as much as it did and that the American representatives were able to preserve as much flexibility—however little it may seem to the countrymen of Castlereagh and Talleyrand—as they displayed. The results might have been more impressive still if the meeting had been held outside Washington, as was first proposed, or had been postponed for a month. In a fortnight or so the first Republican Administration in twenty years will thankfully see its first Congress return to its collective grassroots and the legislative boiling pot will be taken off the fire.

The tenor of American editorial opinion on the communiqué was that the agreement to propose a four-power meeting of Foreign Ministers represented a compromise between the British insistence on the necessity of talks with the Russians and the American aversion to such an idea. It is probable that this is an over-simplification, for the decision was really taken in deference to the one Western national leader who was not present, Dr Konrad Adenauer. The cable traffic between Washington and Bonn increased almost to sizzling point while the conference progressed, and the shadow of the uninvited—and at this stage unavoidable—guest grew larger and larger. It was not Lord Salisbury's brilliant and cogent presentation of Sir Winston's argument for a meeting with the Russians which eventually persuaded Mr Dulles, although one cannot doubt its effect. It was the messages from Dr Adenauer about the state of West German opinion.

Nothing was more striking during the conference than the revelation of the extent to which American policy towards Europe, which for so long has been directed at finding some method of forcing or enabling France to ratify the European Defence Community Treaty, is now governed by the desire to ensure that Dr Adenauer does not lose his general election on September 6th. With M. Schuman out of office, Dr Adenauer is, for the Administration as well as for the American public, the towering figure of Europe—a fact that became very obvious during the almost overlapping visits of the French and the West German Prime Ministers late last spring.

Even if a complex series of strategic and political motives had not tended to enhance Dr Adenauer's importance in American eyes, his own qualities would be sufficient to ensure his success with a public which has always tended to attach its foreign enthusiasms—as in England—to personalities, from Lafayette to Jan Masaryk and, unfortunately, General Chiang Kai-shek. Paradoxically, it was not the American Secretary of State whom M. Bidault had to persuade that the French ratification of the EDC should not be made a prior condition of the meeting with Mr Molotov; Dr Adenauer had convinced Mr Dulles on different grounds of the urgency of the meeting. It was Lord Salisbury and the British delegation who showed an insistence on the vital necessity of the EDC which took the breath out of M. Bidault's plump frame and convinced him of the continuing perfidy of Albion.

★

As the first Republican Congress adjourns, American foreign policy is launched upon what may be an uncharted sea and into a range of ideas which is described neither by "liberation" nor by "containment." Mr Dulles is frankly taking a gamble with the American support for a strong European policy, which has been built up with so much effort around the idea of an integrated Western Europe, in order to explore the possibilities of creating a united Germany before its allegiance to the West is embodied in a functioning Defence Community. Possibly not since the decision to send aid to Greece and Turkey in 1947 has such a gamble been taken with American public opinion.

If an illustration were needed of the extent to which events and decisions on European questions and on the future of American relations with Russia have outstripped public opinion, it can be found in the fact that there was virtually no congressional comment on the decision to seek a four-power conference with the Russians on the future of Germany. Congressmen and Senators normally like to make their views plain on every subject they understand or think their constituents understand, from birth control to President Rhee. The majority of the American press, however, has supported the decision to hold the Foreign Ministers' Conference. Although the *New York Daily News* calls it "a weasel plan which may contain diplomatic disaster for the allies," the exactly opposite opinion is expressed by the *Minneapolis Tribune*, which says that it is "a sensible compromise of divergent views"; the *Baltimore Sun* commented that "a Big Four meeting of heads of states would offer many risks for the west against very little hope of tangible results." On the whole, the tone of editorial comment was most cautious, reflecting presumably perplexity about the future.

The North Atlantic Treaty is something that is understood and very generally accepted. European integration is a policy that is supported from varying motives of idealism or self-interest. American opinion over the past few years has settled down into the two camps of "containment" and the long haul on the one hand, or "liberation," "go it alone" and "use the bomb" on the other. The possibility that both these sets of ideas may be discarded, in Europe at least, and replaced by a period of intense diplomatic activity, to which simple slogans do not apply, creates a hush which is not wholly accounted for by the annual exodus to summer beaches and holiday camps.

Stevenson's Funnybone

FROM A CORRESPONDENT IN WASHINGTON, D.C.

(Mr Stevenson's campaign speeches are to be published in *Great Britain* on July 27th*.)

MR ADLAI STEVENSON is arriving in London a year almost to the day since he accepted the Democratic nomination for the Presidency of the United States. Already he is being pressed, by the liberals in his party, to say whether he would be prepared to do the same thing again in three years' time. His world tour made it easy for him to avoid criticising the new Republican Administration while it was still finding its feet, but once he returns home he will hardly be able to keep silent unless he wishes to retire from the political world altogether. In that case the political world would be the loser, for he brought to it an inspiration and a gaiety that gained him the amused admiration not only of his party and of many of his opponents, but also of the politically conscious in other countries.

It was Mr Stevenson's humour that won him the most immediate sympathy, but since topical humour, particularly in its political form, withers fast, a return to his campaign speeches, nearly a year after they were delivered, might be expected to prove disappointing. It is a pleasure to report, therefore, that his humour, the gentle part of it as well as the robust, is still funny, and that the character that emerges from it is still an engaging one. What made millions of listeners and television viewers give way to laughter in the autumn of 1952 still provokes laughter in the summer of 1953. About the only change is that some of the barbs have become even more apposite since the Republicans took office.

Humour came to Governor Stevenson naturally, easily and, indeed, inevitably. Ghost writers may have supplied some of the *bon mots*, but from the beginning it was clear that he could not possibly make an entirely solemn speech. At the very start, in his address of acceptance at the Chicago Convention in July, the new candidate began to poke fun at two of the issues. One, a Republican theme, was that unless the Republicans won the election in 1952, after twenty years of Democratic rule, the two-party concept would be destroyed. The other, a Democratic talking point, was the severe split in the opposition party, between the supporters of President Eisenhower and those of Senator Taft, demonstrated a few days before in the frenzy of the Republican Convention. "Nor am I afraid that the two-party system is in danger," said Mr Stevenson. "Certainly the Republican Party looked brutally alive here a couple of weeks ago, and I mean both Republican parties." Then, in a valiant but, as it turned out, vain attempt to knock down the one principal argument which ultimately beat him, he went on:

Is it the part of wisdom to change for the sake of change to a party with a split personality; to a leader whom we all respect, but who has been called upon to minister to a hopeless case of political schizophrenia?

American political campaigns are traditionally stodgy, solemn and utterly humourless affairs—at least they have been for about a century. With his gaiety, Mr Stevenson seemed almost to be breaking one of the Ten Commandments. Already inclined to be stuffy, the Republicans were never stuffer than when they started to complain, as they did at once, about their rival's unseemly levity. General

* SPEECHES by Adlai E. Stevenson. *Andre Deutsch, Ltd.* 25s. 6d.

Eisenhower and his running-mate, Senator Nixon, spoke in stern criticism. The nation was in a serious state, they noted, and avowed that they, at least, would not jest with the grave issues facing America.

This was hitting below the belt, because Governor Stevenson, for all his humour, had never spoken lightly of weighty issues; his wit had been confined to things about which anyone was entitled to be gay. The silly attack provided the Democratic candidate with two more happy jests:

You remember a while back our Republican friends were trying to make a campaign issue out of humour, and, needless to say, they were against it. . . . I think what they ought to worry about is their backbone instead of my funnybone.

And, on another occasion, he observed that in deference to the objections raised by the opposition, he would obey, "as far as I can, what is coming to be known as the new Republican Law of Gravity."

★

Mr Stevenson's humour took on a sharper edge when he used it as a weapon against the aspect of his opposition that, it was obvious, infuriated him the most: General Eisenhower's refusal to be specific and concrete on the real issues of the campaign, and his "all things to all men" speeches, stuffed with pious phrases, relatively void of hard commitments.

I would like to suggest to the Republicans that it is time for a change—from the General to the specific. . . . The General of the Army has not spoken out on many of the great issues before the American people. Perhaps, as a General, he thinks he should confine his remarks to generalities. Well, I can tell you that, as a civilian, I have no intention of confining my remarks to civilities. . . . I like Ike, but what does Ike like?

The Democratic candidate enjoyed the sight of General Eisenhower adopting the Democratic farm platform, and of the Republicans' disingenuous endorsement of plank after plank in the Democratic record and programme. It was no wonder they did, Governor Stevenson said, for with respect to their own platform, "nobody can stand on a bushel of eels." He himself, he added, had a hard time standing on the Democratic platform: "There are so many Republicans on it they are pushing me off."

Sometimes Mr Stevenson made a smart crack for the sheer fun of it, and without bearing on any political issue: "I have heard it said by some people that Harvard University humanises the scientist and simonises the humanist." Sometimes it was the quickest way of stating a case: "I thought I would make a proposition to our Republican friends: That if they would quit telling lies about us we would quit telling the truth about them." Sometimes it was because the event could not be described except by sarcasm:

There is something badly wrong with the perspective of men who call the last ten years the "dismal decade." And there is something odd, too, in a point of view which endorses the nation's foreign policies and promises to save you at the same time from such enlightened bungling.

Mr Stevenson constantly mocked himself for presuming to speak and his audience for being foolish enough to listen to him. Including himself as one of the breed, he defined a politician as "a man who approaches every question with

an open mouth." Acknowledging a warm reception, he observed:

I suppose a little flattery is all right if you don't inhale too much. . . . Man does not live by words alone, despite the fact that sometimes he has to eat them. . . . I sometimes marvel at the extraordinary docility with which Americans submit to speeches.

A great proportion of his humour was, to be honest and a little snobbish, of the sort enjoyed principally by the best educated elements of society. It depended on rather sophisticated use of words, on a certain elegance of phrase, on sarcasm and refined satire, and on a great deal of deftly-handled self-deprecation. Was all this—the humour and the fine serious phrases, too, the attempt to "talk sense to the American people"—above the comprehension of the electorate? Did Governor Stevenson, as Republicans charged and many Democrats feared, talk over the heads of the voters? There is, of course, no way to tell. One energetic research worker, however, has recently come up with a surprising fact: by the currently popular mechanical tests of "readability" and "human interest," the Governor's campaign oratory was more readily comprehensible than the General's.

Easy to read or hard to read, over the heads of the voters or not, Governor Stevenson's campaign speeches made superb listening when they were delivered and still make superb reading for people who like to read. Unique in the annals of American political history, they have been published in book form even before age could endow them with significance as items for scholarly research or transmute them into venerable precepts. In the first three weeks after the book was published in the United States, it jumped to fourth place on the non-fiction best seller list. Mr Stevenson's humour remained as ebullient and engaging in defeat as it was in the days of high hope. At a speech delivered just a few weeks after election, the badly trounced candidate began with a paraphrase of the opening remark of every music hall comedian who ever stepped out on the stage. Said he, "A funny thing happened to me on my way to the White House."

American Notes

Soldiers of Nato

THE constitutional jitters with which Senator Bricker has infected Congress made it necessary for the President to send a personal message to the Senate before the Republican leaders there could be sure of getting the necessary two-thirds majority for ratification of the Status of Forces Treaty, one of the North Atlantic Treaty protocols which were agreed over two years ago. In the end the vote was a handsome 72 to 15, but Senator Knowland, the Republican spokesman, acknowledged that it could not have been obtained without Democratic support by publicly thanking Senator Johnson, the Democratic leader, for his help. Thus official recognition was given to the fact that, with a Senate membership that is almost equally divided

between the two parties, the Republican internationalists are dependent on the Democrats for the passage of any legislation which is opposed by the right-wing nationalists of their own party. That is the wing toward which Senator Knowland himself has leaned; it was interesting to see him, now that he has taken over the responsibilities of Republican leadership from Senator Taft, putting up a sustained and vigorous fight, on behalf of the Administration, for legislation about which, only three months ago, he was expressing doubts.

The purpose of this legislation is to make it possible for American troops, serving abroad in North Atlantic Treaty countries, to be tried in foreign civil courts, with certain safeguards, instead of in American military ones, for violations of the laws of the country concerned committed when the soldiers are off duty. Senator Bricker considered that this procedure would endanger their constitutional rights; they might, for instance, find themselves being tried without a jury or, in France, being regarded as guilty until proved innocent. But this suggestion, that the judicial systems of other countries are less satisfactory than that of the United States just because they are different, was, as the defenders of the treaty pointed out, an insult to the members of the North Atlantic Treaty Organisation. Furthermore, it was argued that, since American troops serving abroad are part of a common defence effort and are there for the good of the United States, there is no reason why they should have special privileges.

If Senator Bricker had prevailed, the Senate would, in effect, have declared its lack of confidence in its country's allies, and thus have undermined the basis of Nato. It was this, and the implicit admission that United States soldiers are abroad to stay indefinitely and in large numbers, and that permanent provisions governing them are therefore needed, that gave significance to a piece of legislation that was of little importance in itself, and that has aroused the interest of the general public hardly at all.

Blockade for Refugees

ALTHOUGH Senator McCarran, the formidable old Democrat from Nevada, is no longer the chairman of the Senate Judiciary Committee, he has been making use of every resource open to him to block any legislation that might allow more immigrants to enter the United States. He and his opposite number in the House, Representative Walter, a Democrat from Pennsylvania, are fighting to keep inviolate the restrictive immigration legislation which is their own handiwork and which was passed last year over President Truman's veto.

The present Bill, which is being pressed with unusual vigour by the White House, is not intended to redeem the President's election promise to eliminate the race discrimination in the immigration laws. It is only an interim measure to alleviate some of the more damaging effects of present legislation on American foreign policy by admitting an extra 240,000 people over the next two years. This would allow America to offer asylum to a picked 125,000, the bulk of them Germans, out of the multitude of refugees from behind the Iron Curtain, and also to lessen the present harsh discrimination against immigrants from three North Atlantic Treaty countries—Italy, Greece and the

Netherlands. For instance, 20,000 Greeks would be given a chance to come to the United States while at the moment only 308 are allowed in each year.

Despite Senator McCarran's stratagems and vituperation and after the Bill's sponsor, Senator Watkins, a Republican from Utah, had "undergone the most frustrating experience" of his life, a measure recommended by the Under Secretary of State as a vitally important factor in deciding the June election in Italy was finally forced out of the committee by a 6 to 4 vote on July 17th. By then it had become a Bill to admit 220,000 (including 9,000 who for one reason or another are already in the United States) in three years, instead of 240,000 in two. But even this number, according to Mr McCarran, cannot be screened adequately under the security arrangements of his own Act, particularly when refugees are coming from countries where their credentials cannot be checked.

Now the Bill faces the Senator's delaying tactics all over again, this time on the floor of the Senate, where it has to compete for time within a crowded agenda which Congress is trying to complete by August 1st. The Senator was confident that this competition would be lost, but he was perhaps counting too much on the President's earlier desire to be rid of Congress as quickly as possible. Mr Eisenhower is now insisting that this session shall not end until the refugee Bill, as well as a few other urgent measures, have gone through. If the President means business, Congress may have Mr McCarran to thank for the loss of several weeks of its vacation.

Saving McCarthy's Face

SENATOR MCCARTHY'S attempt to distract attention from his first defeats—over book-burning and the appointment of Mr J. B. Matthews to the staff of his investigating sub-committee—by launching an attack on Mr William Bundy of the Central Intelligence Agency has brought an even sharper rebuff from the Administration. Mr Bundy is deputy to Mr Allen Dulles, head of the intelligence agency. Senator McCarthy was prepared to subpoena him to answer for two offences: that of being Mr Acheson's son-in-law and of having contributed to the defence fund of Mr Alger Hiss. The National Security Council, of which the President is chairman, decided that Mr Bundy was to ignore any such summons. His appearance before the congressional investigators would set a disastrous precedent. An intelligence agency can hardly operate if its secrets are to be spread out before Congress and its employees, many of whom, by necessity, are far less respectable and far more vulnerable than Mr Bundy, are to be hired and fired at Senator McCarthy's whim.

The Senator has been allowed to save his face. The power of congressional committees to inquire into the CIA is not directly challenged, and vague promises have been made about a formula to permit employees of the agency to testify without endangering national security. But the subpoena for Mr Bundy is not to be sent; instead, whatever information Senator McCarthy may have is to be turned over for evaluation to the CIA, which cleared Mr Bundy of the same charges long ago.

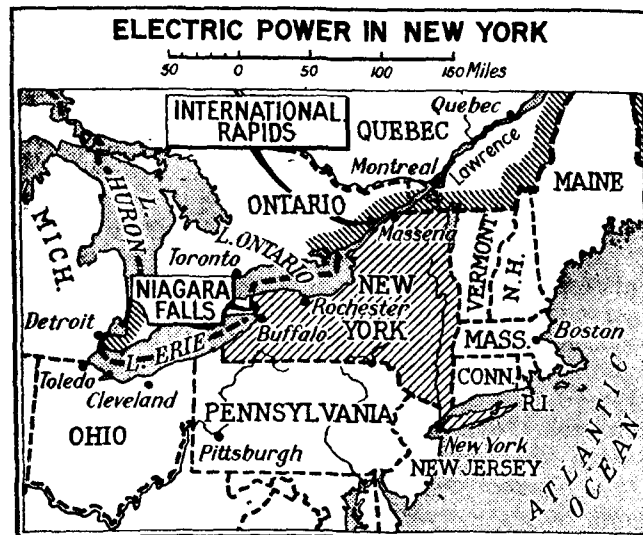
The episode has not encouraged the Democratic members of the subcommittee, who walked out, to return, even though

It is hinted that they were offered, as an inducement, the head of Mr Cohn, the brash young investigator whose European buffooneries stuck in the craw of many Senators. This leaves the Republicans in an exposed and uncomfortable position of responsibility; those serving on the subcommittee are finding that other commitments prevent their attendance. No one rose to contest the forceful argument of Mr Monroney, a Democrat, when he declared that the time had now come for the Senate to reassert control over its investigating panels.

Yet no one should underestimate Senator McCarthy's resilience. He concluded a fortnight of retreat by producing a report documented in an uncharacteristically thorough manner, on allied trade with China. Most of the charges are old ones. But there is enough disagreement about the line between strategic and non-strategic goods, and enough misunderstanding of the usefulness of the civilian trade with China, to make the report seem one that must be taken seriously.

Dewey's Power Failure?

To preserve the full beauty of Niagara Falls, America's traditional honeymoon resort, the flow of water which is wearing the rock away is to be reduced after dark, by agreement between the United States and Canada. A more important agreement, for the electricity-starved industries of New York State at least, is that providing for fuller utilisation of the power potentialities of Niagara, which was reached in 1950. But Congress has to approve the practical details of developing the additional 1.3 million kilowatts of hydro-electric capacity allotted to the United States. As a result Washington is having the unusual experience of seeing the Republican Governor Dewey, hand-in-hand with the state's leading Democrats, Senator Lehman and Representa-



tive Roosevelt, protesting against surrendering New York's "great natural resources for private exploitation."

For, inspired by the Republican Administration's doubts about public power developments, the House of Representatives has passed, and the Senate is considering, a Bill which would permit five private companies to build and operate the Niagara plants. The companies maintain that, since

this is purely a question of generating electricity, not of a great multi-purpose scheme including flood control, soil conservation and so on, it is nothing to do with the federal government. The alternative, however, is not development by the federal government, but by the New York State Power Authority, under an arrangement strongly favoured by the progressive, but Republican, Governor Dewey. The state would only provide the electricity, which would be distributed over private facilities. This would seem a perfect example of that co-operation between government and private interests when dealing with natural resources which has been recommended by President Eisenhower. It is therefore difficult to understand why he has not come to

"Sorry, Tom — Honeymoon, You Know"



Herblock in the Washington Post

Governor Dewey's rescue, by condemning the Niagara Bill, especially since Mr Dewey has been one of his most faithful and active supporters in the Republican party.

It is being suggested that, if Congress hands over the Niagara power development to private interests, then there may be pressure for a similar change in the agreement with the Province of Ontario, under which the New York Power Authority is to be responsible for the American share, nearly 1 million kilowatts, of the hydro-electric capacity to be developed at the International Rapids, near Massena, as part of the St Lawrence Seaway project. This arrangement, also dear to Governor Dewey, has now been approved by the Federal Power Commission, but is still held up because a New Jersey power company is appealing to the courts for permission to build the plant. Once this is settled, Canada should finally be able to go full steam ahead on the St Lawrence. But, in spite of Senator Wiley's last minute efforts, Congress is unlikely, at least this year, to allow the United States to participate.

Chipping at the CIO

At long last the five vacant offices at the top of the Department of Labour are being filled; only one Assistant Secretary remains to be nominated, and he is expected to be a businessman. The other appointments have gone to men with experience in labour relations, but where they come from trade unions, it is either from independent organisations or from the American Federation of Labour, to which the Secretary himself belongs. The long delay is explained by the fact that the man chosen by the Congress of Industrial Organisations, to fill the Assistant Secretaryship that is traditionally reserved for it, was unacceptable to the White House. The CIO refused to nominate anyone else, and thus cut itself off from the government with which, in the days of Democratic Administrations, it was so closely linked.

It is perhaps partly because they feel that they would be better received in Republican Washington as members of the AFL that several of the CIO's smaller unions are considering joining their larger AFL opposite numbers. But it is probably more because they see a real prospect that the AFL and CIO are going to merge and think that they can get better terms by anticipating the general reunion. For the main obstacle in the way of unity has always been the problem of what to do with officials where each trade union federation has a member covering the same industry or trade—the AFL meat cutters and the CIO packing house workers, the AFL electrical workers and the CIO utility workers, for example. In each of these cases the rivals are already trying to get together, but in the breweries, where unity had almost been achieved, the top has blown off the negotiations in a way which illustrates exactly why these mergers are so difficult to arrange. The AFL teamsters were not prepared to guarantee the head of the CIO brewery workers the job which he wanted in the new organisation.

But a number of the local CIO brewery branches have nevertheless deserted to the AFL union and this has given Mr Reuther, the president of the CIO, a chance to speak some of his mind about these attempts to chip off the CIO's membership. For it is already a good deal smaller than the AFL and Mr Reuther cannot afford any further weakening of his bargaining power in the merger negotiations. If the steel workers, next to his own automobile workers the largest union in the CIO, were to leave him, it would be a disaster. For this reason the recent much publicised call made by Mr McDonald, head of the steel workers, on Mr Lewis, of the independent mine workers, must have made Mr Reuther's blood run cold—as was probably intended.

For Mr McDonald is not at all happy about the aggressive, and progressive, political path along which Mr Reuther is inclined to lead the CIO. Mr Lewis shares Mr McDonald's conservative outlook, his belief that trade unions should stick to their labour concerns. The eventual outcome of Mr McDonald's meeting with Mr Lewis, if it has any outcome at all, is more likely to be an attempt to bring the coal miners back to the CIO, to counter Mr Reuther's influence there, than an attempt to unite the steelworkers and the coal miners in an independent association. And Mr Lewis would also like to have a finger in the organisation of any united labour movement.

SHORTER NOTES

The first American Ambassador to Switzerland will also be the first woman career diplomat appointed to such a high rank by the American government. Miss Frances E. Willis, who has been in the Foreign Service since 1927, has been approved for a post which was recently raised from legation to embassy status. The other women who have in the past been appointed Ambassadors were all chosen for their political connections; Mrs Clare Luce, the new Ambassador to Italy, is the most recent example.

With such alarming articles as "Death Stalks the New Deal" and "Block that Depression!" the Democratic party has launched an innovation in American journalism, the *Democratic Digest*, a 25-cent monthly magazine that will compete at the news stands with less political journals such as "True Romance" and "Popular Mechanics." The editors hope to counter the effects of a press which is predominantly owned by Republican interests. The 112 pages in the first, August, issue of the new magazine concentrate their fire on Republican policies for defence, agriculture, tidelands oil—and, of course, Senator McCarthy.

A special non-fattening 470-calory dinner is now being served on one of the major railway lines, so that diners can streamline their figures as the railway companies have their dining-cars.

ONE OF THE
OLDEST NAMES
IN
INTERNATIONAL
BANKING



CHARTERED 1799

Bank of the
Manhattan Company

40 WALL STREET - NEW YORK, N.Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The World Overseas

Dr Mossadegh Sees it Through

DR MOSSADEGH grows daily more like the demolition expert who, high above a gaping crowd, hacks at one after another of the stones supporting his pinnacle, but always shifts his stance before the one on which he is standing gives way. A year ago this week, the streets of Teheran were strewn with casualties during the violent demonstrations that accompanied the Shah's fruitless attempt to replace him and his triumphant counter-coup. Since then, Dr Mossadegh has won rounds fought with the Senate, the Shah and Mullah Kashani. During the winter, despite the opposition expressed by many deputies, he more than once obtained from the Majlis overwhelming votes of confidence together with grants of plenary powers. Recently, their opposition to his megalomaniac ways has increased, and he is at the moment apparently working on a device to get rid of the Majlis altogether. Never at a loss, he will no doubt win a fresh round of applause if, as he hints that he is about to do, he calls for a nation-wide referendum on his policy.

The following story of recent events is oversimplified, for no mere western pen could do justice to its ramifications. His latest round with the Shah began in February when, with considerable support from fellow-landowners who disliked the royal foible of distributing land to peasants, he sought the transfer of most crown lands to the state; he also sought to tax royal estates hitherto untaxed. At the end of February the Shah countered these claims with an announcement that he was leaving the country. (Who proclaims such a move in advance if he really means to go?) This announcement caused a calculated demonstration of public emotion; tearful crowds besought the Shah to stay. The demonstrators even invaded Dr Mossadegh's home and caused him to run for cover, first to the friendly shelter of the Point IV offices and later to his old lair in the Majlis building. His anger that the army did not respond to a call for help on this occasion was boundless; some wag, it is said, sent word that it could not move, as it was out of petrol. Dr Mossadegh therefore extended the range of his campaign against the Shah, and demanded that the government and not the throne should hold the supreme authority over the army. This struggle, which has become the most acute of the issues between the two men, has lasted for months and is not yet patched up; it is the only one that Dr Mossadegh has not won outright. During May, he triumphed on other counts, for he caused the Shah to change his Minister of Court, and to transfer large tracts of the royal estates to the government.

His open struggle with Mullah Kashani also dates from the turn of the year when the Mullah became a violent critic of his assumption of dictatorial powers; in its early stages, he replaced a chief of police who was said to be over-friendly with the Mullah and appointed a close associate of his own, General Afshartoos. In March, his self-confidence seemed to suffer a slight tremor; he offered to abandon his plenary powers in all matters save finance and the settlement of the oil dispute, provided that full control of the army were vested in him. When this offer fell on deaf ears his position looked shaky. In April, however, it was completely restored thanks to an extraordinary bungle by some opponent, or opponents. General Afshartoos disappeared in mysterious circumstances. Days later, his body was discovered; he had been murdered in a peculiarly cruel and beastly way. Persians are civilised people, and were revolted by the affair. The wave of their anger gave new impetus to Dr Mossadegh, who was therefore able to indict as implicated in the murder not only some hostile army officers, but also political opponents who include General Zahedi—perhaps his only rival for the succession—and the one-time socialist ally who is now his main enemy, Dr Baghai. The two latter are deputies and therefore enjoy a parliamentary immunity which Dr Mossadegh's clique of supporters wish to waive, though it has not so far succeeded in doing so. In June Dr Mossadegh's position in the Majlis was still sufficiently strong to enable him to secure the replacement of Mullah Kashani as its president by the election of one of his own trustees, Dr Moazemi.

Meantime, however, his numerous but unco-ordinated opponents inside the Majlis have rather more frequently tended to coalesce, and he has been thwarted there as seldom before. To get rid of them, he has allowed, or maybe caused, the whole of his own party to resign, which leaves the house without a quorum. A number of the rest have thought to serve some end by following suit, so that there are now only 27 deputies left in a house which is supposed to number 128, but has always been over 50 short on account of queer practices at the last elections. Business is therefore at a standstill.

Naturally, this wanton creation of enemies diminishes the strength of his position. Yet no one should venture to call this weak. He can still muster a murmur of approval, even from the Majlis, when he sends it word (as he did this month) that he refuses to attend it "because his life is in danger." To western eyes, it would seem that he must have lost ground as a result of President Eisenhower's

realistic letter of June 29th, in which (in reply to Dr Mossadegh's demand for money aid as opposed to technical aid) the President said that it would not be fair to the American taxpayer "for the US Government to finance Persia while Persia did nothing to help itself by coming to a reasonable agreement leading to world marketing of its oil." In almost any country but Persia, such a comment would upset a Prime Minister's claim to be able to save his country from ruin thanks to his high reputation in the United States. But in Persia reactions are not thus straightforward, and anyone who knows Teheran will realise how stout the patriotic response that will be evoked by the themes now being propagated by Teheran radio—that the letter is "the outcome of US subservience to Britain" and that "Persia's material and intellectual resources are so strong that it can manage, even without foreign help."

Slightly more disturbing to Dr Mossadegh's position is the increasing volume of evidence, in the first quarter of the financial year that began in March, that the foreign exchange and Treasury position are both worsening. In the first year (1951-2) in which the Persians felt the loss of their foreign exchange assets derived from the Anglo-Iranian Oil Company, they balanced their international payments by the sale of £14 million which was part of the currency cover, by securing a loan of \$8.7 million from the International Monetary Fund and by incurring short-term liabilities amounting to 2,472 million rials. The foreign assets held by the Treasury and the National Bank combined fell from \$113 million in 1950 to \$58 million in December, 1951 and \$42 million in September, 1952. Their balance of payments figures for 1952-3 are not yet available, but, by great efforts to reduce imports and thanks to a bumper rice harvest, they were able to show, unprecedentedly, a favourable trade balance in that year.

Evading Spectre of Ruin

Reduction of imports continues; by a decree published on June 30th there are to be none at all for two months, and none except for a short list of essentials for the two months to follow. So long as harvests are good, however, only the white collar and upper classes are affected by the consequent shortages; the peasant majority lives its usual needy life. But the reduction in total trade deals a severe blow to the Treasury which is accustomed to draw a respectable proportion of its revenue from customs dues. The value of the rial in relation to the dollar dropped by 45 per cent in the first quarter of the new financial year.

The spectre of ruin is not yet overwhelming and Dr Mossadegh is still able to wave it away with news of oil sales abroad (although he has only sold 62,000 tons in two years) and with rumours of barter deals, and of Russian intentions to pay back the 11 tons of Persian gold which Moscow has held since the war. The principal factors which account for his survival would seem to be the total lack of agreement among his opponents upon any leader who could take his place, the propensity of the Shah to evade constructive decisions of any kind, and the nationwide repute that he enjoys as the man who got rid of foreigners who had long cheated Persia. On New Year's Day, 1953, he told a group of his admirers that "only death or a vote of no confidence can alter my decision to continue in office." Since the Majlis is no longer there to vote him out and the populace certainly will not do so, it looks as if his opponents will have to wait for the Great Reaper.

Purges in the Soviet Republics

IT is still too early to see how big a change in Soviet policy will follow Beria's fall, but in one respect a reversal is foreshadowed in the near future. The Stalinist policy towards national minorities was discarded by the new regime and there have been signs of liberalisation in the treatment of minorities. Now everything seems to be prepared for a return to the Stalinist pattern. During the last period before Stalin's death, and indeed for most of the time since the mid-thirties, a policy of russification was followed in the outlying republics and regional nationalism was persecuted. In its own fashion and in a new context, Stalinism was resurrecting certain features of Great Russian chauvinism from Czarist times. Stalin's successors seemed to think that the Soviet Union could be cemented better by a more conciliatory method. During the hundred days of their apparently united rule the russifiers were in disgrace and the "nationalist culprits" of Georgia, Ukraine or the Baltic states rehabilitated. The "blame" for this departure from the Stalinist line is now being put on Beria, who is being accused of "having tried to sow discord among the people of the USSR and to foster the bourgeois nationalist elements in the republics."

After Beria's fall his thousands of followers and protégés in the republics had to be eliminated whether there was a change in national policy or not. After Stalin's death 12 out of 15 non-Russian republics received new ministers of internal affairs. Important party and government officials were also sacked, including the first secretary of the Ukrainian Party L. G. Melnikov. Since this reshuffle took place while Beria was still in power and many of the new men were clearly his appointees, they must now be purged in turn. In the Ukraine, for example, the minister of the interior P. Y. Meshnik, nominated scarcely a month ago, is now sacked and replaced by his predecessor as security boss. In Georgia, V. Dekanozov, a former vice-commissar for foreign affairs, has also been eliminated after a few weeks' tenure of office. Those who rose on the tide, while Beria was Malenkov's partner, are now being swept away. Sometimes the purge takes the form of a sheer struggle for power. Thus, Azerbaijan's prime minister M. D. Baynov has now been dismissed without any accusation of "bourgeois nationalist deviation." On the whole, however, there seems to be one radical difference between the purge which swept through the Soviet republics after Stalin's death and the current one. Then the charges were of toughness, intolerance and russification; now of "bourgeois nationalism" and of "trying to wreck good relations with Russia."

Rewriting History

The reversal of the doctors' plot provided a key to further developments. Undoubtedly by denouncing the methods of the doctors' accusers Beria was also eliminating his opponents from the security services, but simultaneously he was disavowing, among other things, the whole attack on nationalism, Jewish or otherwise. The purge of the tough policemen and their allies throughout the Soviet Union was coupled with the denunciation of the policy of national oppression. Only a month ago the theoretical organ of the Party—*Komunist*—joined in the denunciation of abuses. It was interesting that the Party pulpit was offered to a heretic. The article on the national question was written by P. Fedossyeyev who only a few months before Stalin's death

was most violently attacked as an admirer of Voznessensky, Russia's former economic boss whose fate is unknown. The article was cautious and interspersed with quotations from Stalin, but it no longer warned of the danger of regional nationalism alone. It also warned against Great Power nationalism (i.e. Russian chauvinism).

This was a clear break with the past. From about 1936 the attacks on Czardom were toned down and the glorification of Russia's past began. Russian patriotism was fostered and Czarist conquerors made a curious entrance into the Communist pantheon. Interrupted briefly after the war, the patriotic cult flourished again in the climate of cold war. Sooner or later the nationalist germs were bound to spread to the non-Russian republics. Yet what was praiseworthy at the centre became anathema at the periphery. National heroes in the Ukraine or the Caucasus usually owed their fame to their struggle against Czarist oppression and their glorification was therefore distasteful to centralist and nationalist Moscow. Their example could have a dangerous influence. Hence books on the history of Azerbaijan, Tadzhikistan or Uzbekistan had to be rewritten. The *Komunist* article seemed to promise that it would be possible once again to show these national figures in proper perspective but the new reversal of policy has scarcely allowed any time for rewriting.

The problem of minorities is a vital one for the Soviet Union, where roughly half the total population is non-Russian. The economic development of the country, which necessarily brought about a growth of non-Russian *intelligentsia*, has rendered the nationalist question still more acute. There must have been conflicting opinions in the Kremlin on the best method of tackling it. For a short period Stalin's successors seem to have opted for the carrot as the best means for keeping the outlying provinces quiet, but before there was time to put the new line really into practice, it has been discarded.

Propaganda Shifts

It would be idle to associate Beria with the mild policy towards the nationalities, merely because he is a Georgian. His fellow-Georgian Stalin had been the architect of russification. A milder policy towards the minorities was advocated by Stalin's successors as part and parcel of a general campaign of relaxation. Soviet propaganda always shifts between the two poles of "co-existence with capitalism" and "imperialist encirclement." The possibility of the former and the risk of the latter are never completely dismissed but either one or the other are being played up at different times. When "co-existence" dominates the stage there is room for relaxation, concessions and reform; when stress is laid on "encirclement" appeals are made to vigilance and toughness, particularly in the vulnerable outposts. Before Stalin's death warnings against "encirclement" became louder than propaganda about "co-existence." During the following hundred days the line was reversed. Now it is again revived. Last week *Pravda* warned its readers in Stalin's words:

• To think that the capitalist world can look with equanimity upon our economic successes, successes which infect the working class of the whole world with the spirit of revolution is to indulge in illusions. . . .

In such a climate there is little hope that the Ukrainians' or Georgians' dreams of a more liberal national policy will be fulfilled.

Europe and the Defence Community—II

Those in Favour

THE negative attitude towards EDC in Brussels, Paris and Rome is the darker side of the picture. Luxembourg is strongly in favour of EDC, for essentially economic reasons, and it is expected that in Holland the Second Chamber will ratify the treaty before the summer recess. The Dutch position is both realistic and farsighted. Although the Dutch would prefer to see a far greater measure of economic integration in Europe and have initiated schemes for a European customs union and agricultural pool, they are willing to consider the EDC as a first step. They have few illusions, moreover, about strategy or the absolute need for German military assistance if Western Europe is to be defended successfully, and if Holland, in particular, is to be held. Moreover, rather than see Germany left out, the Dutch seem ready to entertain the thought of Germany's entry into Nato if the Defence Community treaty should not be ratified. Like the Belgians, however, the Dutch have failed to consider that this would profoundly modify the defensive character of Nato and that it would not replace the system of checks and balances on German military strength provided by the EDC treaty.

Where does EDC stand in Germany? The Federal German parliament has ratified the treaty but President Heuss has not yet signed the instrument of ratification pending a decision of the Constitutional Court. In the meantime, the revolt in Eastern Germany has brought the possibility of achieving German unity to the fore. In order to retain his position in the country, Dr Adenauer has had to take the lead in demanding four-power talks on German unity. He cannot face the elections as a lukewarm advocate of German national aspirations and to a certain extent, therefore, has had to shift his ground on EDC. Although he continues to be its champion, he is placing increasing stress on the idea of political federation based on the already existing coal-steel community.

Dr Adenauer's Tactical Error

Speaking to a Catholic gathering recently, Dr Adenauer indicated that America threatened to withdraw aid from Germany and Europe if the EDC did not materialise. In this way he has labelled himself as the "American" candidate in the elections and has laid himself open to telling rejoinders from the Social-Democrats. American pressure is not helping to popularise the Defence Community or Dr Adenauer, and the German public is increasingly resentful of anything resembling the now outdated occupation regime or dependence in foreign policy. On the other hand, former members of the General Staff and officer corps (including extreme nationalists) favour association with America either directly or through the EDC. The great number of volunteers who have applied to the shadow Ministry of Defence for posts in the German contingent of the proposed European army, indicates that popular opinion is swinging towards rearmament.

Opposed to these views is the conception that Germany, in order to achieve agreement with Russia and thereby regain unity, should stay out of any Western alliance and maintain its neutrality with a national army. This idea has the support of many of the refugees from the territories

east of the Oder-Neisse and the Soviet Zone. The refugees form no less than twenty-five per cent of the total electorate and have reduced the proportion of Catholics to just below fifty per cent of the Federal German population. This means an increase in the vote of those actively demanding priority for German unity and a reduction in the support for the Christian-Democrats and EDC. In Germany therefore, the question is whether or not German unity will prove a stronger magnet than European unity.

The seemingly interminable dissensions about the ratification of EDC, the continuous postponement of a showdown in the countries most vitally concerned, has tended to obscure the positive contributions of the EDC project. In the long run, and even if it is not ratified in its present form, the EDC treaty will have prepared the way towards closer European integration. It has not only helped to clarify the great issues of national sovereignty, but has also served as a starting point for further conceptions such as customs unions, military integration and the possible creation of common pools for agriculture and raw materials. When the time comes for talks with the Russians about Germany, moreover, the EDC treaty may prove to be an invaluable card in the hand of the Western powers. In Germany itself, the debates about EDC will have helped to draw attention to the need of ensuring that German rearmament is kept under the strict control of the civil power and parliament.

(Concluded)

Negotiating at Panmunjom—I

FROM A SPECIAL CORRESPONDENT

PANMUNJOM is diplomacy at its most bizarre, even in a world where statesmen have discovered that if they tell everyone what they are thinking and doing—and especially the big news agencies—other governments that might be interested are bound to hear, too. It is diplomacy through the medium of public relations officers and journalists.

But there is a certain idiotic logic about the place and the way its machinery has worked. By the summer of 1951 both the United Nations and Communists could see that there was no prospect of quick or cheap victory in Korea for either side, and neither wanted to seem responsible for keeping the war going. The front line then, and since, was near the 38th parallel, which was a convenient place for it to be. And whether or not either side then wanted a truce, they certainly needed some place from which they could publish to the world their case in the Korean affair.

It has kept this dual purpose of meeting ground and platform for the past two years—serving mainly as the latter, except when there was something practical to be done, such as arranging the exchange of sick and wounded prisoners this spring. Then, propaganda was hushed, the atmosphere became genial, and some progress was made. But for most of these years neither side was anywhere near defeat or in need of peace: and this remained so until President Eisenhower was helped to victory by his promise to wind up the war, and the Communists for their part seemed to decide that a truce would give impetus to their new diplomatic offensive.

Since these were armistice talks between undefeated

enemies, the meeting-place had to be acceptable to both. First it was Kaesong, then Panmunjom. The only virtue of Panmunjom is that it lies south of the 38th parallel—and so technically in South Korea—and at the same time is in Communist territory. It is a couple of miles behind the Communist front line. Thus, both sides had some claim to it, and it was fairly accessible to both, since it lies on Korea's main north to south road. Throughout the talks little has remained of the village but a row of four derelict cottages, part of which has recently been demolished. One of these roughly-thatched, clay-and-timber huts is less ruined than the rest, and serves as a guard room for Communist security troops. This is the only amenity Panmunjom has to offer.

All the rest is artificial, imported for the talks. There is the conference building, an oriental bungalow with long windows and walls panelled on the outside with bright rice-straw matting. Flanking it on either side are the tents of the delegations, fitted with telephones and lead respectively to Tokyo and Pyongyang, and beyond these to Washington and Peking. Without telephone lines Panmunjom's system of negotiation by remote control would be impossible. There is a pair of meaningless sentry boxes for each side. All this, with a couple of other tents, including one for the United Nations journalists, makes up the conference site. Around it lies a bleak and desolate landscape, bounded by a rim of jagged hills. At their end the Communists have planted trees and shrubs; at one time there was a United Nations garden too, but it withered away.

Diplomacy by Generals

That, inevitably, is Panmunjom. And just as inevitably, since it is an armistice that has to be discussed, its brand of diplomacy has to be conducted by generals. Not that the heads of the two delegations are typical soldiers. The North Korean, Nam Il, is a politician who has put on his uniform, with its aggressively-cut shoulders, mainly as a passport to the conference building. The United Nations senior delegate, General William K. Harrison, has a reputation as a Nonconformist preacher, and according to one of his aides reads the Bible in his tent during breaks in the sessions. General Harrison seems by nature a modest and amiable man. He is aware that his way of handling the talks has been criticised, particularly in Britain. He was once asked by a correspondent what he felt about the proposal that the United Nations should be represented at Panmunjom by professional diplomats. His reply was, for want of a better word, disarming. He said there were probably many men who could do the job better than he was doing it. But the distinction between soldiers and civilians was irrelevant, because in the talks there were certain issues that had to be resolved, and the approach to them was determined not by his delegation but by the governments concerned. And, in any case, soldiers had plenty of experience in negotiating.

That was General Harrison's opinion, and it was hard not to agree and sympathise with him. Not only, as he implied, is he briefed in detail on what he is to say in the conference hut and to the correspondents at Panmunjom, but there have been times when it seemed that he had even been told what his demeanour ought to be. He is also in the most exposed of positions. A chance word, or a phrase misquoted and amplified to the world, could raise misdirected howls against him in half-a-dozen countries.

philosophy of life. The Roman Catholic faith, almost universally accepted, much as in Britain the Monarchy is taken for granted, leaves room for everyone to display their own personal inherited or acquired philosophy; this may, indeed, consist in an accentuated Catholicism, but it may also consist in a rationalistic humanitarianism or in something regarded officially by the Church as a heresy. The immense majority even of Communists get their children baptised and their dead buried by the Church. The parties are purveyors of doctrines and uplift. Because the parties hark back to "metapolitical" teachers like Mazzini they survive dictatorships but muff their chances of getting any practical changes into effect when there is liberty.

Perhaps because Signor De Gasperi, though of Italian race, was born an Austrian subject and came to Italy from outside, he has been able to survey the Italian party scene with a good deal of detachment. He has often stressed that for him the Liberal and the Social Democratic ideals have their right place in the nation and ought always to have, just like Christian Democracy, their spokesmen. He is very much averse to that tendency in his own party which, nestling under the Catholic Action wing, takes the existence of party contrasts to be no better than a necessary evil, since in a better state all men would think alike as the Church tells them. He has had to stand a good deal above party. He may be able to see more consciously than other Italian leaders the frequent disconnection between the function of a party as an ideological church and its function as an executor of real policies. This helps him to cope with Nenni, understanding both Nenni's strength as a prophet and his danger as a practical politician dominated by the undreaming Communist chiefs. Now Signor De Gasperi heads a "one-colour" government, but his is not a one-colour mind, and he will doubtless be bent upon trying to spare Italy another costly eclipse of the parliamentary system.

Battle Over Danish Bacon

FROM A CORRESPONDENT IN COPENHAGEN

THE second half of the annual tug-of-war between Britain and Denmark about the price of bacon will soon begin in London. The first round was held in Copenhagen at the beginning of June; it lasted only two days. Until October, the price is £252 10s. per ton f.o.b. under a two years' agreement, concluded last September. This agreement has a clause which permits a 10 per cent fluctuation either way. The British officials from the Ministry of Food demanded a 10 per cent price cut, the Danish negotiators from the private export bacon factories wanted a 10 per cent increase.

These Anglo-Danish battles over the price of Danish agricultural products, principally bacon, butter and eggs, are annual events under the present long-term contracts, which run from two to five years, and usually they end in some sort of compromise. This time the negotiations about bacon may be rather more difficult. The British negotiators support their case by pointing to the general trends on the world market, where grain prices are falling, and to the possibility of the abolition of bacon rationing in Britain, which would presumably lead to increased demands for imported supplies. The Danes, on the other

hand, base their demands for higher prices on the belief that if restrictions on consumption are in fact abolished a shortage on the world's bacon market will set in. They have, furthermore, seen that New Zealand has recently secured from Britain a higher price for its bacon, so that it is now getting more than the Danes. In other countries including the Soviet Union, Denmark is itself getting much higher prices than in Britain.

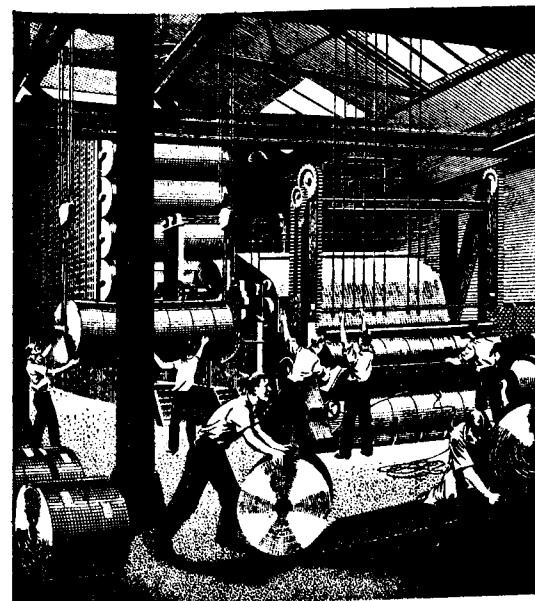
Danish farmers now ask why they should go on with an arrangement under which they are actually subsidising the British farmers. By paying less for imported goods than for British products, the British Government is helping the British agricultural economy which is not able to compete on the free market. Is this any better than building a tariff wall to protect the British farmers? Any improvement in Britain's economic position is welcomed in Denmark, not least by the farmers. But it is noted that the improvement in the British balance of payments seems to owe a good deal to the Government's food policy, which is to further agricultural production at home, and at prices which do not invite greater consumption.

Months in Cold Store

Moreover, the Danes feel that the present system, under which the British Government is the sole purchaser of Danish foodstuffs and controls the whole of their distribution, does not provide a good advertisement for Danish goods; in order to make sure that they are evenly distributed, Danish butter, bacon and eggs are kept in cold store, and by the time they reach the retailers' shops they may be months old. Danish agricultural produce originally became famous because of its excellent quality. Today there has been neither time nor opportunity to recover this reputation for quality which was lost when all dairy produce in Britain, both home and foreign, was pooled and sold as "National butter," etc. Nowadays most British housewives probably neither know nor care what they are buying: they take what is cheapest. Some Danish farmers say that in that case, why not sacrifice quality for quantity? But responsible spokesmen for the farmers, such as the President of the Agricultural Council, Hr Hans Pinstrup, urge that it is necessary to go on improving quality.

As things are today, Danish farmers have probably lost interest in concluding any more long-term agreements with Britain. Immediately after the war it was to the advantage of both parties to plan for five years ahead. The guaranteed market encouraged the Danish farmers to increase their livestock, which had dwindled during the war; and Britain, for its part, had a guarantee that it would get a certain percentage—up to 90 per cent—of the agricultural produce which Denmark exported. To help its old customer (and to improve its own precarious economic position) Denmark even maintained the rationing of butter and bacon for several years.

Denmark is now gradually shifting its export policy. First and foremost the farmers will try to expand their traditional exports to as many countries as possible; but they will also try to increase the range of their exports. The belief, which governed prewar trade policy, that agricultural exports should be restricted to refined animal products, is no longer valid. There are now many other products that can be profitably exported, such as malt barley, pedigree seed, sugar, and even pedigree cattle.



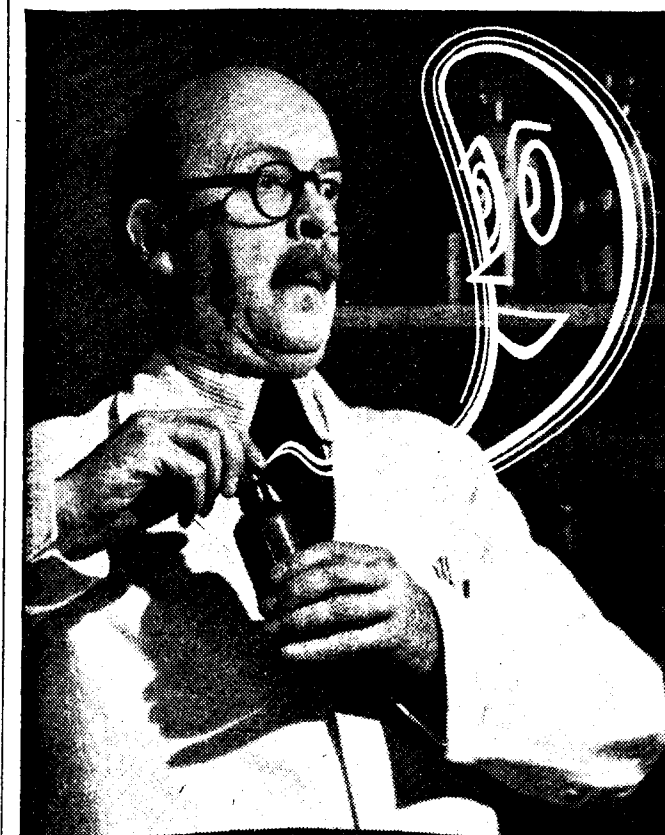
a vital industry

The Thames Board Mills' story is one of vision and enterprise. Here is an organization known wherever British-made "cardboard" is used; proud to be the largest of its kind in the British Empire. Here, modern craftsmen, with their mammoth machines, transform tiny fibres into thousands of tons of "THAMES BOARD" a week. Large reels, small reels, sheets of many sizes, white, brown, grey and coloured—vital board to pack millions of pounds-worth of British goods or to bind books and to make ceilings and walls in buildings of all kinds. Food, soap, clothing, footwear, medical supplies, hardware, electrical apparatus—all manner of goods—need the protection of cartons made from "THAMES BOARD," plus (of course) "FIBERITE" PACKING CASES, to get them safely to market.

THAMES BOARD MILLS LTD.
PURFLEET, ESSEX

Manufacturers of
"THAMES BOARD" for cartons and other uses;
"FIBERITE" Packing Cases; "ESSEX" Wallboard.
(Mills at Purfleet, Essex & Warrington, Lancs.)

TS 1-1954



"Yes, it's time I had some limelight"

"WONDER DRUGS!" I'll give 'em wonder drugs. How about some publicity for us basic chemicals? Maybe Hexamine does not sound very exciting but you couldn't manage without me. Not if you wanted plastic bottle caps or light switches or covers for telephone receivers you couldn't. I'm one of the important ingredients in plastic manufacture. Got other uses, too. I kept the Olympic Torch alight all the way from Athens to London in 1948 and I provide the heat in the Army 'Tommy Cookers'. Proud? Of course I am. I come from Brotherton, one of the largest independent British manufacturers of Hexamine and other basic chemicals.

A BIG NAME IN THE CHEMICAL WORLD

Brotherton

One of the world's largest manufacturers of hydrosulphites, liquid sulphur dioxide and hexamine. Makers of an extensive range of Metachrome dyes for dyeing wool in all its forms.
Brotherton & Company Ltd., City Chambers, Leeds 1. Also at Manchester, Glasgow, Wakefield, Birmingham and Blackburn.

THE UNITED
STEEL
COMPANIES LTD

THE LARGEST
STEEL PRODUCERS IN THE
BRITISH COMMONWEALTH

The United Steel company employs some 30,000 people in its various undertakings. In such an organisation there are many opportunities for those who have the necessary ability and the willingness to assume positions of responsibility. The provision of sufficient men of the right quality to fill senior positions is of vital importance for the future.

The company has been a pioneer in the development of a training policy for all grades of employee from juveniles to managerial staff. This policy has been extended to embrace a long term plan of staff replacement, which relates future requirements for executive staff to present recruitment, and provides comprehensive training for recruits selected by rigorous standards for their potentialities as future executives.

The company thus offers a career in which character, ability and skill will be rewarded by rapid advancement, and has a staffing policy which should ensure that its future management will be in the hands of men competent by training and quality to fill the positions they hold.

APPLEBY-FRODINGHAM STEEL COMPANY
SAMUEL FOX & CO. LTD.
STEEL PERCH & TOZER
UNITED STRIP & BAR MILLS
WORKINGTON IRON & STEEL COMPANY
UNITED COKE & CHEMICALS COMPANY LIMITED
UNITED STEEL STRUCTURAL CO. LTD.
DISTINGTON ENGINEERING CO. LTD.
YORKSHIRE ENGINE COMPANY LTD.

THE UNITED STEEL COMPANIES LTD.
SHEFFIELD

A MEMBER OF THE THREE BANKS GROUP



THE ROYAL BANK
OF SCOTLAND

The Royal Bank of Scotland was incorporated by Royal Charter in 1727. Retaining its Scottish character and traditions, its influence, though deeply rooted in Scotland, now extends to every part of the commercial world. The Head Office is in Edinburgh; the Royal Bank of Scotland is a member of the Three Banks Group.



ROYAL BANK OF SCOTLAND
Founded 1727. Edinburgh, London & branches

GLYN, MILLS & CO.
Founded 1753. London

WILLIAMS DEACON'S BANK LTD
Founded 1771. Manchester, London and branches

Total re-
sources over
£350,000,000

*"Accepted by the Public
because it serves a Public Need"*

SUN LIFE ASSURANCE
COMPANY OF CANADA

(Incorporated in Canada in 1865 by Act of Parliament
as a Limited Company)

FAMILY INCOME

RETIREMENT INCOME

CHILD'S EDUCATION

PARTNERSHIP SECURITY, ETC.

Why not ask us to help you with your Life
Assurance Problem! You incur no obligation

Administrative Office for Gt. Britain and Ireland

141, SUN OF CANADA HOUSE,
COCKSPUR STREET, LONDON, S.W.1

THE BUSINESS WORLD

The Market in Oil

AN article in last week's issue of *The Economist* surveyed the relations, with all their intricacies and growing difficulties, between the major oil companies and the states and sheikhdoms along the Persian Gulf. When the 50:50 agreements were made between the companies and the rulers, they were taken to symbolise an equal partnership in the trading results of producing and marketing the oil. It has now become pertinent to ask 50 per cent of what? As the rulers grow in experience and wealth, they are seizing opportunities to re-interpret the "what," so that their original 50 per cent is in effect being stretched out to 50 plus. In their insistence on getting the most out of the agreements, they are increasingly unwilling to accept a level of Middle East oil prices that does not fully match prices in other markets.

This factor has been somewhat overlooked in comments on the higher crude oil and petroleum prices announced during the past month. The trigger setting off these increases was pressed on June 15th, when the Phillips Petroleum Company posted an increase of 25 cents in the price of crude oil from \$2.74 to \$2.99 a barrel. This company (which on balance is a buyer of crude oil) attempted the same manoeuvre in 1948, but then the major companies refused to follow; on this occasion they have all followed. For the first time in six years, the price of American crude has been increased and the prices of refined products in the United States have been quickly adjusted to the new level. For two or three weeks, however, there was real doubt whether these increases, in the American phrase, would "stick." Whether higher prices on the American continent were justified or not, the awkward fact remained that Middle East oil was knocking hard on the door of the American market. It had knocked hard in 1949, and much to the displeasure of the independent

oil producers in Texas, who were quick to denounce the "dumping" of low-cost Middle East crude on the Eastern Seaboard of the United States. Indeed, in 1949 the base price of crude oil for the Persian Gulf was reduced to \$1.75 a barrel which with the freight rates of that time approximately equalised its price at New York with other competitive crudes. But after the recent increases in American prices, there was no mistaking their vulnerability to Middle East competition for, as in 1949, but to a much greater extent, tanker freight rates had fallen so far as to upset this equalisation. For the most part, the major companies move oil in their own tankers or long-term chartered tonnage. But if spot tanker rates dip sharply, as they have this year, any system of equal delivered prices instantly becomes vulnerable. Recently spot tanker freights have been down to one-half of the rates fixed by the United States Maritime Commission soon after the war for the large fleet it then controlled. The table overleaf compares the delivered price, New York, of crude oil of 36 degrees gravity from various sources, assuming freight rates equivalent to USMC minus 50 per cent. Before Persian Gulf prices were raised at the end of last week, Middle East crude oil could be laid down at New York for \$2.71 a barrel, almost 50 cents a barrel cheaper than West Texas and Venezuelan crudes. Ignoring any differences in quality (which can be significant), there is still a margin of nearly 25 cents for any shipper who can obtain tonnage at USMC rates minus 50 per cent. Such low rates will not be permanent, for they apply only to the margin of free tonnage; if they improved to USMC minus 25 per cent a different competitive picture would emerge, with Arabian crude costing \$3.385 at New York, against Venezuelan and West Texas crudes at about \$3.27. It must, however, be remembered that a large part of the bulk international

movement of crude oil is carried in the oil companies' own fleets at the "London Award" rates fixed twice a year by a panel of brokers; this currently corresponds to USMC minus 19 per cent and if it applied to transatlantic movements, it would give a delivered price in New York for Middle East crude of nearly \$3½.

But the point that will strike those who had doubts about the reality of a "world market" in oil is this: the major companies who have raised the prices of Middle East crude are following the principle of the equal delivered price for oil from the two major production areas with exportable surpluses—namely the Middle East and Venezuela. Prices for Middle East crude of some producers thus remain linked to prices for crude oil at United States Gulf ports, though the major companies have differing ideas about the levels of prices at which equalisation is achieved. This is a system which has been much under fire by the Economic

CRUDE OIL 36° GRAVITY (OR EQUIVALENT) DELIVERED NEW YORK ASSUMING FREIGHT USMC -50 PER CENT

	\$ PER BARREL			\$ PER BARREL	
	Before 25 cents increase	After 25 cents increase		Before 25 cents increase	After 25 cents increase
West Texas f.o.b. Gulf ..	2.74	2.99	Arabian f.o.b. Persian Gulf	1.75	2.00†
Freight	.19	.19	Freight	.85	.85
			Import Duty	.105	.105
Delivered New York	\$2.93	\$3.18	Delivered New York	\$2.705	\$2.955
Venezuela f.o.b. Vene- zuela	2.64	2.89	Arabian or Iraq f.o.b. Sidon (Lebanon)	2.29	2.54*
Freight	.19	.19	Freight	.55	.55
Import Duty	.105	.105	Import Duty	.105	.105
Delivered New York	\$2.935	\$3.185	Delivered New York	\$2.945	\$3.195

* Quoted by Anglo-Iranian; Esso has posted \$2.39 and Caltex \$2.44. Socony and Shell prices are unchanged. † No increase by Socony.

Co-operation Administration and its successor, the Mutual Security Administration; it is of the very stuff of anti-trust charges.

The decision to raise Middle East crude prices is the outcome, in fact, of a series of embarrassing pressures and counter-pressures. If Middle East oil were to flood into the Western hemisphere markets, who would gain? There would be a political rumpus in Washington from American domestic producers by comparison with which the 1949 criticisms of "dumping" would be mere murmurs. There would be severe repercussions on Venezuelan oil output and, in the limit, upon Venezuela's never too stable politics. There would be a howl along the Persian Gulf from rulers asserting that the oil companies were not crediting them with a fair price for Middle East crude. All these points can be granted. If Middle East crude threatened to flood into the American market, the likely reaction would be

some form of import restriction and a tariff higher than 10½ cents a barrel. The American market is prepared to absorb a reasonable amount of foreign crude "to supplement but not supplant" its own domestic supplies; but it would certainly not accept the idea of full and free competition from the Middle East.

But what is true of the American market, which is disposed to accept a limited amount of foreign oil, does not necessarily follow for the European market where Middle Eastern crudes have swept out crudes from the Western hemisphere. To take Britain alone, of last year's crude imports, 93 per cent came from the Middle East and less than 7 per cent from Venezuela and the United States. This fact—which can be broadly matched in other European countries—prompts some questioning about the actual mechanics by which crude prices are established. The British consumer has been told that these increases follow from "a rise on the world market," and it is a legitimate inference from this and earlier statements from the oil companies that they have taken full account of their own changes in costs. Now it may be argued, as a proposition holding in the long term, that the prices until recently obtained for American domestic crude were not sufficient to ensure continued prospecting and drilling there. On that ground, the increase in crude prices at the Gulf as signalled in last month's addition of 25 cents a barrel, may be fully justified. But it is not easy to apply the same argument to the prices of Middle East crude where direct costs of production are distinctly low and have not been rising to a major degree—though proper allowance must be made for indirect costs in such an insecure region.

It might be said, however, that Britain's dependence upon Western hemisphere refined products is still large enough to justify the fixing of product prices in this market by reference to the American market; of all refined product imports, the Western hemisphere provides about two-thirds by value. But the main deficiencies are in lubricating oil, kerosene and aviation spirit, and not in motor spirit and fuel oil which can be largely supplied from home refineries. To sustain this argument, it is necessary to look a little more closely at the actual machinery by which prices are established on the Gulf seaboard for refined products. They are, in fact, gathered by Platt's market reporting organisation at the major supply and consumption centres. The report entitled "The International Petroleum Cartel" published in Washington nearly a year ago criticised Platt's quotations unfairly. They measure accurately and honestly the market that exists and even if it is in some respect a thin market, it is better than no market at all. Despite the spread of oil production and refining over the world, no other market has come into being. But if the Gulf prices used to have meaning when that was the region from which shipments of petroleum flowed all over the world, they must obviously have less meaning when the United States has ceased to be a major exporter of bull

petroleum products, and when the pattern of American consumption is so different from that of Europe. The United States protects its production of gasoline by clapping on a duty of 52½ cents a barrel—a hurdle that no importer can jump. Considerable quantities of fuel and gas diesel oils come in over a 5¼ cents tariff, particularly from Venezuela. And since Venezuelan and Caribbean products compete in European markets, there are links, tenuous though they may be, between oil markets in the two hemispheres. But it seems fair to conclude that the prices of petroleum products in the United States have less relevance than they did to the prices that ought to obtain in other and distant markets, served by their domestic refineries using crude oil from other sources.

There is not—and perhaps there cannot be—any market mechanism by which prices of Middle East crude and the prices of products from European (and Eastern) refineries can be realistically determined. But conceptually, at any rate, this has become a distinct market from the American market—one in which the major companies, though closely linked together, as they have to be to do their job, will be expected by the consumer to behave as if propelled by the forces of competition among themselves. The idea that an Eastern hemisphere price structure might emerge from the play of market forces is incompatible with the

Taking a Risk in Wheat

ON August 1st Britain enters a new era in wheat trading: it will buy in the "free" markets of the world, through the private grain trade in Liverpool and London. Fourteen years of bulk purchase by a single buyer, the Ministry of Food, mostly under long-term contracts and international marketing arrangements, will come to an end. The import of wheat and coarse grains has already been returned to private enterprise, and the Government is not a party to the new International Wheat Agreement that starts on August 1st. The two decisions were made independently, but together they represent an attempt to reduce the cost of imported wheat. The freeing of the grain trade is in fact the most important measure of decontrol in the commodities since the war; grain is Britain's most costly import.

In refusing to join the new wheat agreement, the Government is taking a calculated risk—gamble, perhaps, is the appropriate word. It believes that wheat prices are more likely to fall than to rise, and that over the three years of the new agreement it will be able to buy wheat in the free market at less than the maximum price of \$2.05 for IWA wheat. The Government is pitting Britain's bargaining position, as the world's largest importer of wheat, against that of the United States, the largest exporter. Specifically, the Government is wagering that the American price sup-

structure of the companies in the Middle East and in Europe, and would only make their relations with the rulers along the Persian Gulf more difficult. But an automatic adjustment of the prices of Middle East crude and European refinery products to the higher costs of American production does not fit the facts of oil in the modern world.

The Cartel Report last year argued that the effect of the Gulf-plus system had been to keep the price of Middle East oil higher than it ought to have been. A year ago, that was a view that had no sharp sting for the European consumer, although he might have felt some uneasiness at the pricing methods that the industry employs. But after the recent increases he will need more convincing. Increases that may cost the European consumer \$130 million in local currencies, and \$50 million out of dollar reserves are not lightly to be dismissed by reference to "a rise on the world market." In his own *oikos*, he perceived no increase, until the companies staged one. The industry's technical achievements since the war have been remarkable. Its relations with Middle East countries are not proof against shock. But while the consumer will give full credit and allowance for these facts, he will also need to be convinced that the prices he pays are reasonable. In particular, he will not take it as an axiom of the modern oil world that when America turns, all must turn.

port policy will sooner or later have to be brought into line with the world supply and demand for wheat.

Since the war the wheat importing countries have been heavily dependent on two major suppliers, the United States and Canada. The prices charged by these two countries and by the other world exporters, Argentina and Australia, hinge on the support price for American wheat. This price is fixed at a level that Britain and other importers consider unreasonably high; its effective level in the major marketing centres this year is roughly \$2.40 a bushel. By lending and purchasing operations, the US Commodity Credit Corporation boosts the "free" price in the United States as close as possible to the support price; and naturally this acts as a magnet to wheat prices outside America. The Canadian Wheat Board, the sole seller of Canadian wheat, disposes of its Class II (non-IWA) wheat in world markets simply by quoting a price a few cents a bushel lower than the Americans. The Canadian board also sets the price of wheat sold under the wheat agreement from whatever source, and this also follows the American price. During the four years of the wheat agreement that expires on July 31st, the free price has virtually always stood well above the IWA maximum and the IWA maximum was therefore held firmly effective. It is an oddity of the price mechanism of the IWA that though there are over 40 governments buying,

the price is adjusted by one seller acting on behalf of all four exporters. Sales by Australia and Argentina, which is not a member of the agreement, are also made by single authorities that follow the American price.

Faced with such highly controlled selling operations, it is tempting to put Britain, the importer, in the role of David. A glance at the tabled estimates of the wheat position in these four main exporting countries helps to explain why the Government has dared to challenge Goliath. These figures suggest that for the next year or so wheat supplies should be more than ample to meet world demand; and the largest potential surplus seems likely to be in the United States. In the crop year 1953-54, which has just begun, opening stocks are estimated at the record figure of 1,300 million bushels, twice the previous year's total of 650 million. The United States has stocks of 580 million bushels, more than double the previous stock of 260 million. Canada's stock is rather less than double—about 430 million bushels against 270 million a year ago. In Western Europe, the largest importing region, stocks of wheat are considered adequate this year. At the end of the 1953-54 crop year the estimates for the carry-over run higher still; they are put at no less than 1,400 million bushels, of which the United States' stocks will be nearly 200 million higher, at 770 million bushels.

Forecasts of this nature, however, are often unreliable, and in wheat they can be notoriously so. The critical crops of spring wheat in Canada and the United States have yet to be harvested. If the American maize crop were to be poor—which does not at present seem likely—a lot of wheat might be taken off the market there for feed. The European harvest should be as good as, if not better than, last year's; but this remains to be seen, and much can happen before the Argentine and Australian crops are harvested late this year. The British Government is, however, taking a view of prospective wheat supplies for three years, not for one year alone. Some major uncertainties cloud this longer view. Will Argentina overcome its transport problems and become a more aggressive seller of wheat? Will Russia offer some wheat in the free market? Will international relations and international trade improve?

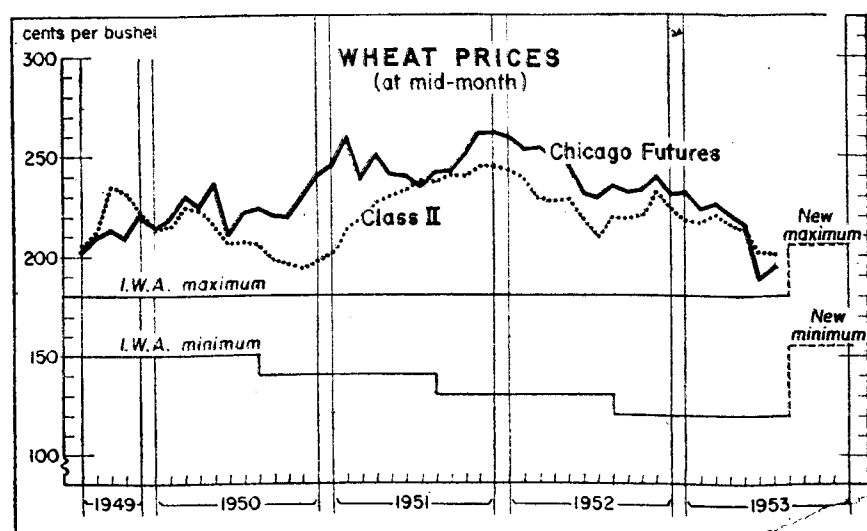
Failing some major shifts in the balance of market forces, it will certainly be difficult for the American

authorities to maintain the price of wheat close to the high support level during 1953-54. The price has in fact dropped by roughly 25 cents in the last three months, though this may have no more than seasonal significance. The expansion of production and the decline in exports has left the Commodity Credit Corporation with a huge wheat stock of some 350 million bushels—almost one-third of the whole harvest. The gift of 36 million bushels to needy Pakistan was only a drop from this brimming bucket. The Administration is aware of the threat to the support programme. To keep exports moving it began to subsidise sales under the new wheat agreement weeks before this had been effectively ratified. The wheat acreage for the 1954 crop has been cut to 62 million from 77 million acres, and marketing quotas may be imposed to penalise farmers if they plant more than their allotted acreage. The cut in acreage may not have much effect on the harvest, because the land taken out of use is usually marginal.

Storage regulations for wheat qualifying for loans have been eased, and \$22 million is being spent on additional storage capacity for 90 million bushels of grain. Schemes are being urgently studied in Washington to move the surpluses of all farm products "not into storage but into (foreign) stomachs," through the long

purse of the US Treasury.

The British Government however, may not be relying entirely on the broad indications of ample wheat supplies in the next few years. It probably hopes that, as the largest importer, its absence from the new agreement may of itself tend to bring down prices. It almost certainly thought that to participate in the new agreement would have helped to make the effective price for wheat the top price in the IWA range, as happened before. Britain's normal import requirements are some 5 million tons a year, of which it bought 4,800,000 tons under the expiring agreement. With Britain absent, and allowing for increases in the import quotas of old members and the addition of new members, the net movement of wheat possible under the new agreement will be reduced to some 12 million tons a year from 15.8 million tons previously. Trade in wheat in the free market will be increased to some 12.5 million tons a



Export prices of American wheat are not published. A rough guide to the price of Chicago futures; a better one is the Class II (non-IWA) price of the best Canadian wheat, No. 1 Northern Manitoba. In the second year of the IWA, a 6 cents storage charge was added to the price of IWA wheat, raising the effective maximum to \$1.36 for the remaining period of the agreement.

year by Britain's transfer, making this market more important than hitherto.

Unless the free price falls below the new IWA minimum of \$1.55, which is unlikely, there is no obvious advantage in trading solely in the free market. Should the free price fall below the new IWA maximum of

WHEAT ESTIMATES FOR FOUR MAIN EXPORTING COUNTRIES
(Millions of bushels)

July to June	Argentina	Australia	Canada	USA	Total
1952-53					
Opening stocks.....	34	84	274	256	648
Production.....	287	193	688	1,291	2,459
Imports.....	8	...	...	25	33
Total supply.....	329	277	962	1,572	3,140
Total domestic use.....	113	84	160	672	1,029
Remainder.....	216	193	802	900	2,111
Exports.....	30	87	370	320	807
Carry over.....	186	106	432	580	1,304
1953-54					
Opening stocks.....	186	106	432	580	1,299
Production.....	294	175	397	1,175	2,041
Imports.....	...	...	...	5	5
Total supply.....	480	281	829	1,760	3,350
Total domestic use.....	136	79	160	690	1,065
Remainder.....	344	202	669	1,070	2,285
Exports.....	156	104	320	300	880
Carry over.....	188	98	349	770	1,405

\$2.05, the maximum will not be effective and buyers will obtain wheat at the same price as the free price. Members of the agreement still enjoy the right to buy and sell in the free market; their only obligations are that exporters must sell the whole of their quotas at not more than the maximum price, if the importers call on them to do so, and that importers must similarly buy their quotas at not less than the minimum price if called upon. An importing member might, in theory, be inhibited from buying freely in the free market by the fear of being called on to take up his quota at \$1.55. There is, incidentally, no evidence that the British Government expects the free price to go below \$1.55, or that it would consider such an event to be desirable, having regard to its widespread economic implications. But with Britain outside the agreement, the private trade will have a completely free hand to buy where and when it pleases.

Britain did not quibble, during the long haggling in Washington, at the raising of the minimum price under the agreement to \$1.55, although this was 35 cents above the minimum in the last year of the old agreement. It held the existing maximum of \$1.80 to be a fair price in present conditions, but in order to preserve an international agreement that had worked, it was nevertheless prepared to go up 20 cents to \$2.00 for the new maximum. Unfortunately, other delegations in Wash-

ington refused to believe that \$2.00 and no more was the British limit; when all other members agreed to \$2.05 Britain stuck to its guns and departed. (The United States had held out for \$2.05 in order to reduce the cost of its subsidy on IWA wheat, thus transferring some of its domestic subsidy costs on to the backs of the foreign consumer.) Britain's refusal to join hardly seems to have been based upon any argument that membership would be incompatible with the return of the grain trade to private hands; it will have a somewhat similar problem to solve in the decontrol of sugar.

If the current forecasts about wheat prove to be justified, and the American price support operations are weakened, the free market price will probably move closer to the IWA maximum, and may periodically be below it, in which case the two prices would run along together in the higher part of the IWA range. It so happens that for several days recently the Class II price and the IWA price, for orders under the new agreement, were identical, at levels a few cents below the IWA maximum. At the moment they are apart again, with the IWA price a shade below the maximum at \$2.03 and the Class II price three cents higher. It would be unwise to draw any conclusions from the recent movements. The free price tends to be seasonally low in June and July, when the new crops are beginning to press on the market, and this pressure may already be passing its peak.

If the free price does tend to move within the IWA maximum and minimum price range, the wheat agreement will at last be fulfilling its original intentions, with members enjoying an assured market between a ceiling price that protects the importer, and a floor price that protects the exporter from the violent fluctuations which characterised the prewar period. But the outcome of Britain's decision depends not on the temporary success of a bear raid, but on whether North American wheat

WORLD EXPORTS OF WHEAT AND FLOUR
('000 long tons, wheat equivalent)

	Total world	Actual exports under IWA	Export quota in IWA	Free market exports
1949-50.....	20,500	11,500	14,100	9,000
1950-51.....	24,500	14,200	15,100	10,300
1951-52.....	25,300	15,300	15,600	10,000
1952-53.....	22,700	15,000	15,600	7,700
1953-54.....	22,500	...	12,000	12,500

The figures have been rounded; exports for 1952-53 are estimates, and the export quota in the IWA in 1953-54 is provisional.

policies can be brought nearer to reality. The political popularity of these policies is unlikely to diminish. But it is conceivable that the cost of supporting prices at the present level may induce Congress to modify the whole programme when it comes up for review next year. And in that event Britain's policy will deserve as much praise here as it will incur criticism there.

Business Notes

The Conversion Result

THE Government's latest conversion operation seems to have evoked a somewhat better response than was first expected. It was announced on Monday that, when the offer closed last Friday week, holders of about £397 million of the 2½ per cent National War Bonds, 1952-54, had accepted the invitation to convert at par into the corresponding issue that is redeemable in 1954-56. This means that 49 per cent of the impending maturities have been deferred for a further period of not more than two years, leaving an unconverted portion of £413 million still to be repaid, or induced into yet another exchange, on or before March 1st next. Correspondingly, the total of the 1954-56 stock will be raised from £426 million to around £823 million. In a context such as this, "success" is a relative term, and cannot be defined unless it is known how much of the 1952-54 issue was held in official hands and what proportion of that holding was converted. The general impression in the market is that the "departments" held rather less than the most extravagant guesses had suggested, but still held a great deal—probably not less than one-quarter of the whole; and it is further surmised that all, or nearly all, of this large share has been exchanged.

If this is so, the amount converted by non-official holders would represent rather less than one-third of their total holdings—certainly not a very impressive ratio, but still a better one than the City had envisaged. It was clear from the outset, as a note in these columns recorded a fortnight ago, that the discount market was almost completely indifferent, and it seems to have made only a tiny "token" response. The attitude of most of the big banks was similar, but there may have been some second thoughts, and in the event the domestic banks as a whole appear to have taken up a moderate amount—though probably not more than £100 million. Foreign holders, who had valued the 1952-54 issue because the coupon is paid to them without deduction of tax—a privilege that does not extend to the 1954-56 issue—have certainly stood aloof. It seems evident, therefore, that a perceptible flow of conversions has come from the general body of private and institutional investors, the extent of whose holdings of these wartime issues and whose response to such an offer as this are always equally incalculable. The very nature of the operation showed that the authorities were not pitching their aims high, and it is arguable that a massive response would have made the 1954-56 issue embarrassingly large. If their expectations were moderate, they are probably now reasonably well satisfied. A substantial refinancing task still lies immediately ahead, for in addition to the £413 million of unconverted bonds that mature next March there is the £577 million of Serial Funding stock that matures in mid-November.

But the general drift of monetary policy recently implies that the authorities do not see any need for haste. They may be right; but it certainly cannot be taken for granted that conditions will be equally propitious in the autumn.

Terms of Trade to the Rescue

BRITAIN'S terms of trade, which improved by 7 per cent between 1951 and 1952 and in so doing aided the balance of payments and real incomes in this country by some £330 million, are now already 9 per cent better than the average for 1952; although neat arithmetical deductions do not always work out as they should in this field (because of complications arising from time lags in payments), there must therefore be a real hope that Britain is on the way to another sizeable windfall gain of over £300 million this year. This prospect, which emerges from the detailed overseas trade returns for June, is considerably better than Mr Butler seemed to expect when he drew up his budget.

From January to June of this year, the Board of Trade's index of all import prices has fallen by six points to 87 (the 1952 average equals 100), and the index of all export prices has lost only two points to 96. In the same period the terms of trade, that is the ratio of import to export prices, have moved four points in Britain's favour, to 91 per cent of the 1952 average. In June itself the improvement was arrested, perhaps temporarily, and both export and import prices fell by one point. Among the separate components of import prices, the index of imported food, drink and tobacco prices fell one point to 97 in June, the index of raw material prices fell two points to 80, and that of manufactured goods remained stable at 85; among exports, the index of wholly or partly manufactured goods (at 97) and of metals and engineering products (at 100) were both unchanged, but textiles gained one point to 92 and other manufactures, which include non-ferrous metals and chemicals, lost one point to 92.

The favourable movement of the terms of trade in the last six months has, however, been badly needed; for in the first half of this year the volume of imports has been about 2 per cent higher than in the first half of 1952 and the volume of exports about 5 per cent lower. The latest returns confirm, however, that exports have recovered compared with the second half of 1952—by £6 million a month in value terms. The main increases have been in exports of cars, iron and steel manufactures, textiles (especially woollen goods), and refined petroleum. The rise in imports compared with the second half of 1952 has been almost entirely in imports of sterling area raw materials; the

THE ECONOMIST, JULY 25, 1953

weight of wool imported indeed, has been greater than in any half-year since the war. Imports of manufactures, particularly metals and cotton piece-goods, have continued to drop, and have been about £8 million a month less than in the second half of 1952.

IMF Exchange Restrictions

A SUBSTANTIAL part of the work of the International Monetary Fund during the past year has been associated with the first series of consultations under Article XIV of the Fund agreement, which provides that "five years after the date on which the Fund begins operations and in each year thereafter, any member still retaining any restrictions inconsistent with Article VIII shall consult the Fund as to their further retention." The results of these consultations are discreetly described in the fourth annual report on exchange restrictions recently published by the Fund in Washington. No confidences are betrayed in this bulky document, but it is evident that one of the main points of attack of the Fund in these consultations has been directed at exchange subsidies and other forms of export subsidies, including dollar retention schemes.

The point stressed by the Fund was to suggest to countries that were experiencing difficulties in exporting that the fault might lie in the inappropriateness of their exchange rates. The references to this subject in the latest report suggest that the IMF would not be averse to a further revision of parities. In the course of the consultations, Sweden, Finland and Norway informed the Fund that they were removing their retention quota practices, and Belgium and Luxembourg agreed to remove or reduce the intensity of a number of discriminatory practices. In its general comment on developments of the past year, the report states that "while noting the extent to which member countries have made progress in overcoming inflationary pressure and thus moving towards a situation in which restrictions could be removed, the consultations made it apparent that there is much more to be done before general convertibility of currencies and the removal of other restrictions can be attained."

Deposits' Mid-Year Peak

THE period covered by the half-year-end statements of the clearing banks, all of which are now available, was marked by a continued trend towards credit expansion. The net change in the level of bank deposits during the first half of each year is, of course, always strongly influenced by the heavy tax collections and consequent running down of deposits during the first quarter; but in this latest half-year a large part of this seasonal influence has been obliterated. Net deposits have dropped by only £131 million, the smallest fall in any similar period since 1949, and one that contrasts with a fall of £218 million last year, when the banking system was feeling the first effects of the credit squeeze. In consequence, on June 30th

last aggregate net deposits reached their highest point ever touched at the mid-year, at £6,023 million. A significant part of this expansion occurred in the last six weeks of the period; after the "make-up" for May, net deposits rose by no less than £158 million, actually by £38 million more than the large increase experienced in the similar weeks last year. In consequence, the seasonally adjusted index compiled by Lloyds Bank jumped by 1½ points to a peak of 105.5, compared with the low point of 101.0 reached in May, 1952, and 102.9 at the time of the first increase in Bank rate.

The upward trend has been less steep, however, in this past half-year than in the previous half-year, and its causes have been very different. The expansionary force in the second half of 1952 was the extremely heavy borrowing by the Government, whereas in this past half-year it has been the reviving demands of the private sector. Bank advances, which dropped by £72 million in the first half of 1952 and by £111 million in the second half, have in this latest period risen by £14 million. Similarly, the clearing banks' portfolios of commercial bills, which shrank by £97½ million in the corresponding period last year, have this year dropped by less than £6 million. The apparent contraction of investment portfolios has likewise been smaller this year—but part of last year's movement must have reflected writing-down. Since changes in these three categories of assets provide the best available measure of fluctuations in the credit needs of the private sector of the economy (including, however, the nationalised industries), the conclusion to be drawn is that in this past half-year these needs have on balance been little altered, whereas in the first half of 1952 they declined by rather more than £200 million.

Rising Trend of Advances

THIS contrast, which is much more than sufficient to explain the reversal of the basic trend of deposits, has, moreover, become more pronounced recently. During the last six weeks of the half-year, although the £37½ million

LONDON CLEARING BANKS				
	June 30, 1953	Change on		
		Month	Year	
Deposits	£ mn. 6,299.5	£ mn. +216.7	£ mn. +235.2	
"Net" deposits*	6,023.3	+158.4	+206.4	
Liquid assets	£ mn. 2,192.2	%† 34.8	+150.4	+ 86.4
Cash	514.0	8.16	+ 15.7	+ 9.6
Call money	469.1	7.4	+ 5.4	+ 67.8
Treasury bills	1,148.7	18.2	+135.2	+167.8
Other bills	60.4	1.0	— 5.9	— 23.2
Investments plus advances	3,899.3	61.9	+ 4.1	+122.1
Investments	2,136.4	33.9	+ 13.3	+219.4
Advances	1,762.9	28.0	— 9.2	— 97.3

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

call on this year's BEA market loan was only £10 million smaller than that on last year's loan, total bank advances dropped by only £9 million, whereas last year they dropped by £30 million. The implication is that advances to borrowers other than the BEA rose by almost twice as much in these latest six weeks as they did last year.

In this same period, despite the issue of a further £100 million of Exchequer stock "for cash," the central Government was borrowing heavily from the banking system—apparently to the extent of some £160 million—though not quite so heavily as it did at the same time last year. Over the half-year, however, it reduced its indebtedness on balance by roughly £125 million, whereas in the first half of 1952 it hardly achieved any net reduction at all. This improvement is in line with that shown in the Exchequer accounts—including items both "above" and "below" the line—and is, indeed, rather less than might have been expected when changes in national savings, tax certificates and the note circulation are brought into the reckoning.

Brazil Tries It On

THE Anglo-Brazilian commercial and financial negotiations, which have been proceeding in Rio de Janeiro since May 20th, seem to be going from bad to worse. It will be recalled that one of the main issues involved is the debt of £63 million that Brazil owes to British exporters for goods sent to that country in recent years. The British delegation suggested that an initial repayment of £20 million should be made by Brazil—possibly by purchasing the requisite sterling from the International Monetary Fund—and that the balance of the debt should be cleared by earmarking £10 million a year from Brazil's earnings of sterling. Brazil has now countered this proposal by an offer that can only be described as derisory. According to this offer, the outstanding debt of £63 million would be cleared over a period of twenty years, and at best there would be only "the smallest symbolic initial payment" through the agency of the Monetary Fund. Moreover, even this offer would be made conditional upon a British guarantee to maintain imports from Brazil at not less than a certain prescribed minimum.

The tenor of this proposal suggests that Brazil understands neither the rudimentary principles of commercial honesty nor the policy that the British Government is endeavouring to pursue in its commercial relations with the rest of the world. The proposed treatment of the commercial debts is, unhappily, fully in keeping with the long and tawdry record of Brazil as an international debtor. The demand for guaranteed markets in Britain shows that Brazil cannot or will not understand that trade in Britain and over the greater part of the sterling area is handled by free markets and private merchants, for whose activities no "guarantees" can be given. It is unfortunate that in its attempt to depart from the noxious principles of commercial bilateralism, the British Government should, in this particular instance, find the ground cut beneath its feet by the action of the great upholders of multilateralism, the United

States Administration, whose recent financial assistance to Brazil is an unhappy example of the condoning of commercial dishonesty.

Coal Profits Again

FOR the last six weeks of the first quarter of 1953 the National Coal Board had to pay its day wage men at increased rates, equivalent to about 6d. a ton extra in the labour costs of coal; and from March 2nd onwards it was getting an average of 5s. 6d. a ton more for the coal it sold at home. It ended the quarter with a profit on its colliery operations of £5,523,133, or rather over 2s. a ton; this compares with a loss on colliery operations in the last quarter of 1952 of £1,247,628, and a much higher colliery loss in the quarter before that. The increases in costs and proceeds, for varying periods during the quarter, were not the only major elements in this access of financial fortune; the board benefited from a considerable fall in the cost of its "roof supports, general stores and repairs." Even without the higher proceeds that arose from the eventual increase in coal prices, the collieries would probably have been breaking about even on the quarter.

To meet the board's commitments, of course, the collieries have to break a good deal better than even; from their profits, and the profits it can earn from ancillary operations and opencast coal production, it has to make provision for taxation and pay interest—now amounting to nearly £16½ million a year. In the first quarter, the board in fact showed much reduced profits on ancillaries—£740,000 against the estimate of £1,075,000 for ancillary profits in the first quarter of 1952. The board was still showing a loss on opencast coal—£12,000 for the quarter, against £993,050 for the last nine months of 1952. This reflects the continued high costs of carrying large opencast stocks—when the board has to stock any coal on its own account, opencast stocking is convenient, if expensive. On all its operations, the board showed profits of £6,251,133 on the quarter; after providing for taxation (£1,500,000) and other charges, and setting aside £4,050,000 for interest, it showed a final surplus of £541,133.

In the second quarter of the year it was of course paying higher wages and receiving higher prices for the whole thirteen weeks. Its price increase did cause a small increase in the price of steel, of which the board is a heavy buyer directly and indirectly; but it has calculated that by the time a 5s. 6d. a ton increase in coal prices works back to the board through the price of steel and steel products, it amounts to no more than a halfpenny a ton in materials costs. The trend in other materials prices has been downward, so that its colliery costs on this account seem unlikely to rise; even with a probable increase of about 3d. a ton in labour costs (from paying the higher day wages over the whole three months), total costs do not appear likely to have increased much. Colliery proceeds, however, should gain the benefit of the full 5s. 6d. a ton increase, compared with the increase of 2s. a ton in the first quarter and export premiums on British coal may not have fallen much. So in the second quarter of this year the NCB collieries should perhaps have been running at a healthy profit. They needed to: for in the third quarter now begun the industry has to pay for the cost of the miners' second week's holiday—in operating costs as well as in output.

Who Owns Shares?

THE greatest gap in British financial information today is that nobody knows which classes of the community have liquid funds that could be invested on the stock exchange or which classes do invest there when they have the chance. Apart from the Domesday Book, which is out of date even by British statistical standards, and the mournful inquisitiveness of the Inland Revenue's assessors of death duties, who do not publish their information in a very exhaustive form, there has been no detailed survey of personal assets in this country. In April and May of last year a group of intrepid researchers from Oxford set out to remedy part of this deficiency by questioning 2,600 "income units" in 69 districts of the country about their savings habits. An income unit can consist either of a single adult aged over 18 or of a married couple (with the children dependent on them); the 50 million people in Britain are thus divided into some 22 million "income units," of which 37 per cent consist of only one person and 27 per cent of two. An article in the current issue of the *Bulletin* of the Oxford Institute of Statistics by Mr H. F. Lydall has now set out some of the survey's intriguing findings about holdings of stock exchange securities.

The limitations of the statistics unfortunately make it impossible to deduce how much of the £25,000 million of stock exchange securities outstanding at that time was

OWNERSHIP OF STOCKS AND SHARES					
	% in Group of Those Who Own:				
	Any Shares at All	Up to £500 worth	£500 to £1,000 worth	£1,000 to £10,000 worth	Over £10,000 worth
All income units.....	5.5	2.5	1.2	1.1	0.4
Gross incomes:					
Under £200.....	3.7	2.5	0.9	0.1	Nil
£200—£400.....	2.6	0.9	1.0	0.3	Nil
£400—£600.....	2.7	1.5	0.4	0.7	Nil
£600—£1,000.....	12.1	6.4	2.3	2.3	0.4
£1,000—£1,500.....	27.9	8.9	8.4	5.8	3.8
£1,500—£2,000.....	57.5	14.7	1.9	31.2	9.6
Over £2,000.....	51.4	8.8	10.0	13.5	19.1

Source: Bulletin of the Oxford Institute of Statistics.

held by persons rather than by corporate investors; nor yet to check up on the crucial estimate, deducible from Inland Revenue figures, that over 50 per cent of industrial securities seem to be held in the rapidly diminishing class of estates of £50,000 or more. The survey's general finding, however, is that at least 5½ per cent of income units own some stocks or shares; this suggests that some 1¼ million of the 22 million income units in the country have some stake in the stock exchange, although (since, for example, the wives of some investors hold securities in their own right), the number of individual stockholders must obviously be greater. About half of these investors owned £500 worth or less, and the figures actually suggest that there are some 190,000 shareholders with gross incomes below £200 a year

(comprising 3.7 per cent of income units in this poorest group). As was to be expected, however, and as the accompanying table shows, only 2 to 3 per cent of those with annual incomes between £200 and £600 invested on the stock exchange, compared with over 50 per cent of those earning more than £1,500 a year; similarly 1.5 per cent of skilled manual workers and 0.5 per cent of unskilled manual workers were stock exchange investors against 22.3 per cent of those among the managerial classes.

Old Ladies in Throgmorton Street?

THE survey contained, however, some odder food for thought for the stock exchange than this. First, less than half of the investors traced—and only 2.1 per cent of all the people questioned—had bought or sold securities last year; and, quite fantastically, 42 per cent of those who had bought or sold (presumably sold) in the year said that they had no stock exchange securities left now. Secondly, the 5½ per cent of the community who held stocks or shares included 9.6 per cent of those aged over 65 and 10.3 per cent of those classified as "retired"; moreover, 5.9 per cent of the income units headed by females owned stocks or shares against 5.3 per cent of those headed by males.

If all this is taken at its face value, it suggests that more than half of all personal investors consist of a torpid mass that do not normally switch their portfolios at all in any one year, and that nearly half of those that do now come down to Throgmorton Street come there to liquidate their holdings altogether; while a sizeable proportion of the private portfolios that remain are in the hands of elderly people (including an undue proportion of elderly females) whose holdings are presumably drawing nearer and nearer to the death duties' axe. This cannot be an entirely accurate picture of the stock exchange's customers. But it is probably nearer to the truth than anybody who believes that this country's future depends largely on intelligent provision of personal risk capital can ever like to think.

Slighting the Ring Fence

MEDIAEVAL armies used to "slight" the fortifications put up by their opponents, by knocking small but important pieces off them, once they were inside a citadel. The Conservative Government seems to be willing to do the same thing to Mr Gaitskell's ring fence round the domicile of British companies. Within the broader context of his speech in the parliamentary debate on colonial development last week, Mr Oliver Lyttelton dropped a mild hint that the Treasury may now be more willing to allow British companies to migrate to the colonies. After suggesting that it is "something of an anachronism" that the affairs of a company operating exclusively in a British colony should be directed by a board in London, Mr Lyttelton advanced the two familiar arguments—the need for local control and for lower taxes (allowing more to be ploughed back into

the business for development)—in favour of the colonial domicile of such companies. In considering any applications for a transfer in control Mr Lyttelton emphasised that "the great importance of colonial development will be kept well to the fore." But made it clear that this did not imply "a blanket authority" from the Government that any company wishing to migrate will automatically be permitted to do so. Even a half-promise such as this, however, is a considerable advance over the recent dilatory tactics of the Treasury in holding up the emigration to Rhodesia of the Rhodesian Selection Trust group of copper companies.

High taxation has been the predominant influence upon the recent scale of registration of companies in this country, as well as upon their desire to secure registration in the colonies. The 1952 report of the Board of Trade "on matters within the Companies Act," published this week, shows that last year the number of private companies on the register rose from 244,166 to 250,927 companies (with a paid-up share capital of £2,330 million), while the number of public companies fell from 11,778, to 11,587 companies (with a paid-up share capital of £3,970 million). The number of private companies has grown steadily since the end of the war, though at a slackening rate. This does not mean, however, that there has been a welcome upsurge in the number of new productive businesses; it simply means that, under present tax law and in view of the shortage of private capital, many former partnerships or individual businesses—some of a most peculiar sort, such as the attempt at professional sports stars to capitalise their names for advertisement purposes and individuals' "investment companies" formed to minimise death duties—have found it convenient to secure registration.

Ore for the Furnaces

At the beginning of this year it was estimated that pig iron output in Britain might rise this year by about a million tons above the 10½ million tons produced in 1952. Production of iron in the first half of this year was about 5,551,000 tons, so that output has still some way to rise in the second half if this forecast is to be fulfilled. But this year's output so far—an annual rate of more than 11 million tons—has only to be compared with the level of about 9½ million tons in 1949-50 to show the sharp increase in the last few years. Almost all the increased supplies of pig iron have gone into steelmaking, bringing about the planned decline in the "scrap ratio" of British steelmaking—actually from 63 per cent in 1950 to about 55 per cent at the end of last year. This increase in iron production has called for a correspondingly greater increase in the volume of iron ore used in the country's blast furnaces; last year some 16 million tons of home ore and 8½ million tons of imported ore were consumed.

The variety of ores now used in British blast furnaces, and the widening range of physical properties, has thrown more and more emphasis on the processes of ore preparation—particularly on sintering. This is a method of burning ironstone and low-grade fuel such as coke breeze in a down-draught grate; it produces a charge that both chemically and physically is better suited for the furnace than unprepared ores, and can be smelted into iron faster and with

much lower consumption of expensive metallurgical coke. The British Iron and Steel Research Association, working mainly at member steelworks, has recently been devising improved methods of this and other methods of ore preparation, such as the pelletising of the very finely divided concentrate from which some of the richest foreign ores are received. Any research group has to explore different ways of achieving the same ends: BISRA, in this field of ore preparation, has found that the improved output and quality it has achieved through work on sinter plants (mainly at Dorman Long's Redcar works) have for the present outweighed the economies offered by its improved methods of pelletising. With the growth of pig iron production envisaged in the steel industry's current steel development plan—to some 15 million tons a year by 1956—the amounts of ore to be dealt with will become even vaster; and the need for ore preparation capacity will rise perhaps most of all. Since 1948, the production of sinter in Britain has risen from 2.9 million tons to 4.4 million; by the end of the second development plant in 1957-58, it may well have nearly doubled again.

London Fares Increase

INCREASED fares come into operation in the London Transport Area on August 16th. Single fares of 3d. and 8d. will be increased by ½d.; fares of 6d. and 9d. or over will be increased by 1d. No change will be made in 2d. and 5d. fares. Concurrent increases in early morning fares and season ticket rates have also been authorised by the Transport Tribunal. The awards give broad effect to a charges scheme submitted to the Tribunal on January 5th this year; they will provide £5.6 million of additional revenue a year towards a deficit estimated by the Tribunal, in the light of evidence from the British Transport Commission and from objectors, at £4.8-£4.9 million.

The Tribunal rejected suggestions that consideration of the scheme should be deferred until a "comprehensive inquiry into the financial structure and operating policy" of the Commission had been undertaken, and that the deficit could be remedied by the introduction of cheap fares during off-peak periods. Such ideas were dismissed as "unworthy of serious consideration," on the ground that the first necessity was to ensure that the London services must pay their way. The Tribunal claims, with justification, that the increases in fares now authorised cannot cause any general hardship. After this Tribunal's meticulous examination of evidence and witnesses over twenty-three days, no objector can assert that the proceedings have been other than deliberative and entirely fair. But it is perhaps a matter for some relief that the new Transport Act provides an opportunity for shortening in future the period that has in the past elapsed between the fact of increased costs and the granting of authority to increase fares to meet them.

Stagnation in Rubber

RUBBER is still a stagnant market, and he would be a bold observer who would read it in present conditions. The news that the high-cost synthetic rubber plants in the

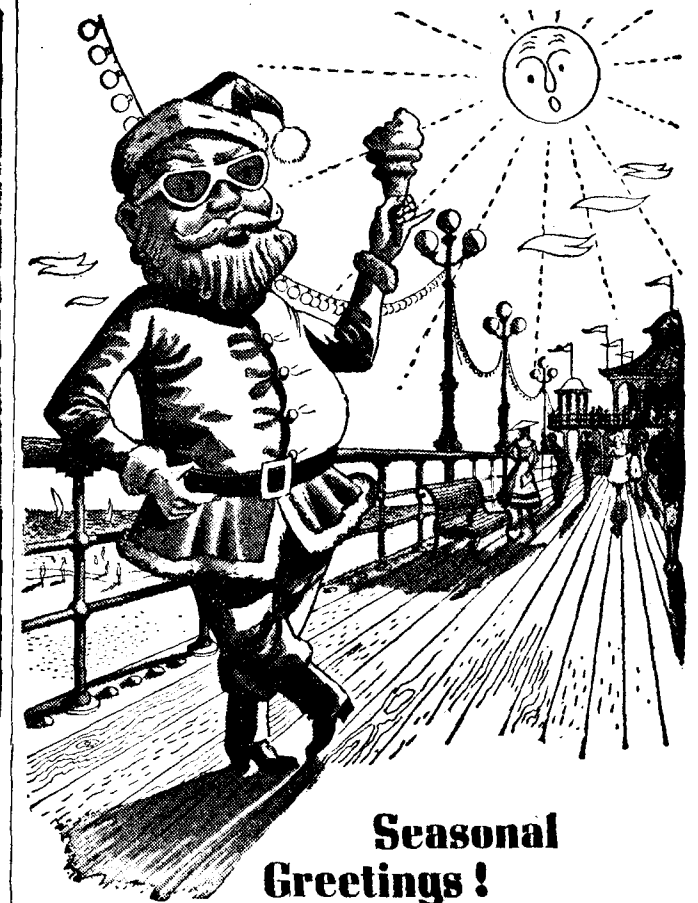


THE OX WAGON: It is only fitting that the ox wagon should be displayed on the South African coat of arms. For without this apparently primitive but wonderfully effective method of crossing difficult country the development of the Union might well have been immeasurably handicapped. Serving both as beef cattle and draught animals, oxen were the mainstay of the early South African economy—and even in the Union of to-day they play a large part in transport and agriculture. The original trek wagons were surprisingly small when compared with those in use to-day, measuring only some twelve feet in length, about the same size as an English farm wagon which they greatly resemble.

Our branches in the Union of South Africa are particularly well placed to answer questions on trading conditions and local markets.

Please address your initial enquiries to our Intelligence Department, 54 Lombard Street, London, E.C.3.

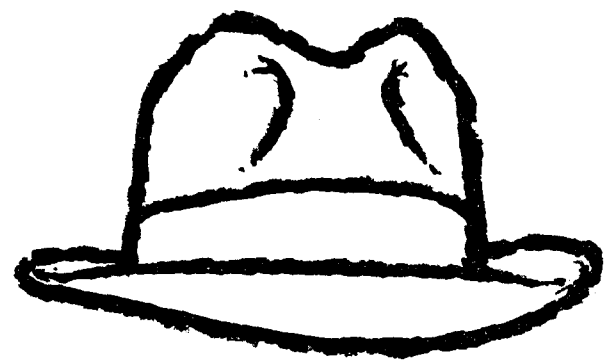
BARCLAYS BANK,
(DOMINION, COLONIAL AND OVERSEAS)



Strange things happen
in a British Summer. But
if you really did see Father Christmas
on the pier one day this August you
might well swear off lobster lunches
for ever. Set your mind at rest, though;
this jovial chap is simply our impression
of the business man who has already placed
his order for advertising playing cards
for this Christmas. Have you ever thought
of advertising by playing cards? They
make an admirable gift and are a
very effective way of keeping your name
in mind. Their cost, too, is surprisingly
reasonable. Why not strike a new note
this year? Our designers can incorporate
your name or trademark into an attractive
playing card and the finished product will
have over a hundred years' experience behind it.
But orders must be received by early September
for delivery before Christmas. So please
telephone or write for one of our technical
advisers to call and show
you specimens and answer
all your questions.

ADVERTISING
PLAYING CARDS
A
DE LA RUE
PRODUCT

THOMAS DE LA RUE & CO. LTD.,
Stationers Division, 84/86, Regent Street, London, W.1. Tel: Regent 2901



Are you a BP Superman?



You enjoy a ready response from your engine as soon as you put your foot down—on BP Super. You get smoother acceleration, a longer drive in top and more miles per shilling.

The true BP Superman also uses BP Energol — the oiliest oil.

BP is the trade-mark of
ANGLO-IRANIAN OIL CO., LTD.,
whose world-wide resources are behind it.



INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Subscribers:

The English and Scottish Banks

I.C.F.C. is ready to consider the requirements of any industrial or commercial enterprise which is established in Great Britain.

The Corporation entertains proposals for additional capital—either for the purchase of additional buildings, plant and machinery, or for financing the expansion of business and carrying increased stocks and debtors. It is also prepared to consider more general schemes of expansion, including the financing of new ventures which are soundly sponsored and backed.

It provides capital both in the form of share capital and medium or long term loans—generally in amounts ranging between £5,000 and £200,000.

London

7, Drapers' Gardens, E.C.2

Birmingham

Manchester

214, Hagley Road, India House, Whitworth Street
Edgbaston

Edinburgh

33, Charlotte Square

The oldest inhabitant



Somehow, he seems always to have been part of the village. None can remember it without recalling him, for his wise advice and local knowledge have helped both young and old.

For many businessmen, it is equally hard to think of Australia and New Zealand without recalling the Bank of New South Wales.

For, as the oldest public company in the South-West Pacific, its experience and knowledge of local conditions are unrivalled. And as the largest commercial bank there, with over 850 branches and agencies, it can give every assistance to its customers.

For your ventures in Australia and New Zealand, consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817

HEAD OFFICE: SYDNEY, AUSTRALIA

MAIN LONDON OFFICE—29, Threadneedle St., E.C.2
D. J. M. Frozer, Manager

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5206

United States are to be closed down on August 1st instead of in September may have accounted for a fractional advance in distant positions in London early this week; but the normal switching into these positions may equally have been responsible. The advance was subsequently lost; cash rubber was unchanged and closed officially on Thursday at 19½d. per lb. The later news that American consumption of natural rubber in June rose by 2,100 tons to 48,900 tons failed to move prices and had apparently been discounted. The market's response to these two developments in America, the largest consumer of both natural and synthetic rubber, illustrates its present apathy.

The closure of the high-cost plants will reduce capacity for making general purpose synthetic, natural rubber's competitor, from about 700,000 to 600,000 tons, though the remaining capacity seems quite sufficient for American needs. The rise in American consumption of natural rubber in June was accompanied by a slight fall of 800 tons to 71,500 tons in consumption of synthetic, so that consumption of natural rose by 1.3 per cent to 40.6 per cent, the largest monthly increase since the recovery began. But the absolute rise in the usage of natural is disappointingly small. At the International Rubber Study Group's meeting in May, the Americans forecast that even a relatively small decline in the price of natural rubber should lead to a substantial increase in US consumption. Between May and June the price has dropped by just over 1½d. per lb. Given the current surplus of rubber, and the adequate stocks in consumers' hands, it would probably take a really big increase in American consumption to strengthen the price. At the moment the market is just holding, but it is vulnerable to technical weakness and could certainly go lower still.

The hopes that are pinned on an increase in the price of American synthetic rubber, following the transfer of the plants to private hands, may prove groundless; there is at least as much possibility that private firms may be able to cut the price. The point is becoming of somewhat academic importance. The US Senate has just inserted an amendment to the disposal bill which may postpone the transfer date to January, 1955.

The Cost of Development

IMMEDIATELY before it began to debate a report that advocated some extension of Government research and development contracts in industry, the House of Commons this week heard that the costliest development contract placed since the war was finally to be abandoned. The Minister of Supply told members that the Brabazon I aircraft and the uncompleted Brabazon II, on which together some £6½ million had been spent, were to be dismantled, while the assembly building and enlarged runway at Filton, which cost another £6 million, were already being used for other purposes. This development contract was placed with the Bristol Aeroplane Company to fulfil one of the airliner suggestions made by the Brabazon Committee; the Ministry financed the design and construction of prototype. This system, supported by the basic aircraft research done at Farnborough, is the most usual method of research and development in the aircraft industry, though some private development—for example the Comet airframe—is financed

entirely by individual companies. The Brabazon development admittedly supplied some technical data on large airframe design and on power controls. But broadly, it was a costly failure; partly because the original conception was not justified by the subsequent trend of aircraft design and operating economics, and partly because those responsible for the grandiose concept did not see early enough when to stop. Neither of these dangers can be guaranteed against when public money is being risked on research (always a gamble) and upon its application (often not much less so). But in the aircraft industry, at least, the development contract system has produced other much happier results during and since the war.

It was not wholly clear from the debate that followed whether the Government proposes to extend this system in civil industry to the limited extent suggested recently by its Advisory Council on Scientific Policy. Mr Molsom, for the Government, "approved the principle," pointed with pride to the contracts that already exist for industrial gas turbines and heat pumps, and encouraged the co-operative research associations to finance design and development, as distinct from research. He added that "we contribute, and intend to continue to contribute, grants to these research associations." In form, this might well be preferable to the backing of likely developments by government departments, however well advised; in scale, it may or may not be adequate. Britain's present place in the race for technical advance suggests that it needs to devote to hastening the application of research not only as much effort as the United States (where development contracts are placed by the Government with industry more widely than here), but perhaps more. It is always harder to catch up.

Cheaper Steel Exports

FOR the second time this year, some reductions have been announced in the export prices quoted for some steel products. These apply to merchant bars, small sections, hoop and strip; the reductions, which in some cases amount to about 12½ per cent, bring the British export prices closer to the Continental quotations for similar steel, though still slightly higher.

One effect of the cuts in export quotations has been that certain steel products now cost more than others on the export market and less on the home market. Given the insulation of the two markets by the official limits on the amount of steel the industry is allowed to export, such a disproportion is not unlikely; though in the softening world market for steel, the influence of this control must be declining. These cuts in export prices, and the shaving of the windfall prices that the industry has enjoyed through export premiums, may tend to reduce further the margins that steelmakers can earn on certain products of which home prices are relatively low. But the industry as a whole is benefiting from further cuts in the levies made upon British steel production to finance the import of steel and raw materials at world prices and their sale at the lower British prices; the quantities imported are falling and the prices paid, too, for steel and steelmaking products, at any rate, are lower. Nevertheless, a general review of the whole price structure in steel is probably overdue; and the new Iron and

Steel Board, now building up its organisation, presumably has this high on the agenda.

The Iron and Steel Consumers' Council that operated under steel nationalisation, in its closing report to the Minister last week, raised one issue of pricing policy for the new Board. It had received complaints from consumers in London and certain South-Western areas about the increased scale of "zone extras" imposed this year for some steel products. For consumers in these regions the extras on certain products were roughly doubled, causing the anomalies inevitable in any "zone-delivered" price system. For example, steel consumers in Bath, Chippenham, Devizes, Trowbridge and Frome can buy heavy steel at 7s. 6d. a ton cheaper than those in Bristol, Dursley, Gloucester and Stroud, though the former towns are farther from the works of the heavy steelmakers. The Council considered that these increases in zone extras did bear harshly on some users near zone boundaries; however, it was unable to agree on alternative pricing methods, such as a single delivered price for the whole country or "ex-works" prices with transport charges to be paid by the consumer. Prices at the works, plus actual transport charges, would theoretically accord best with the economic location of industry—both for the producers and for the consumers of a product. But a number of British industries now use "delivered" or "zone-delivered prices"; and indeed the nationalised coal industry, which uses them for domestic coal, has for some time been proposing to extend the system to prices for industrial consumers. The new Iron and Steel Board is not short of economic sophistication or knowledge of pricing; it will be interesting to see its considered opinion on this point and on other major issues of steel price policy.

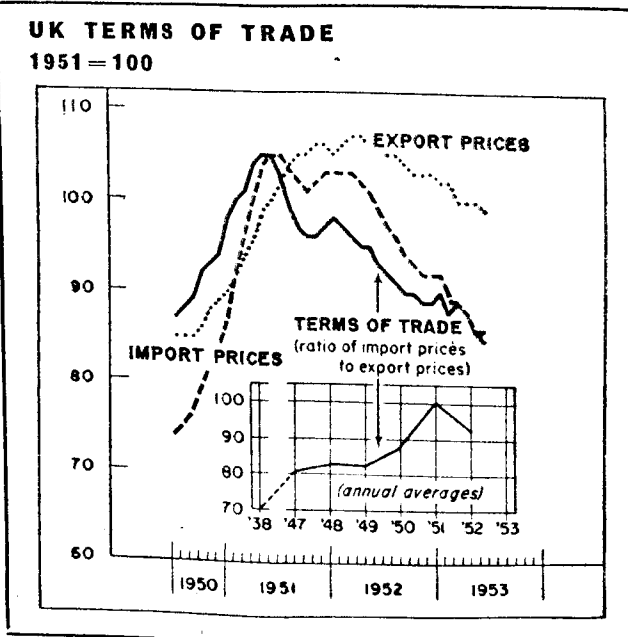
India's Sterling Balances

INDIA still has a larger sterling balance than any other country, and the financial agreement signed by United Kingdom representatives in New Delhi this week—although it does no more than tidy up the agreements made in 1947 and 1951—has brought into clearer focus the provisions that have been made for its gradual unblocking since the war. The arrangements negotiated in 1951 provided in the first place for the transfer of the Indian currency backing of £310 million from India's blocked No. 2 account to its free No. 1 account—although with a gentleman's agreement that the dominion did not expect to have to draw down this sterling. The remaining sum of about £210 million was left in the blocked No. 2 account; but it was agreed that this should be released in six yearly instalments of £35 million, these releases dovetailing into the financial provisions of the Colombo Plan. Two of these annual releases have now been made, leaving about £140 million in the No. 2 account, which will be finally exhausted by 1957 after the release of four more instalments of £35 million. In May of this year the foreign exchange reserves of the Reserve Bank (blocked and unblocked) amounted to £533 million, an increase of some £20 million over the preceding twelve months. In addition, the Reserve Bank held £88 million of gold, while the government and the commercial banks held dollar working balances equivalent to about £30 million. On the evidence of these figures the Indian balance of payments would appear to be running at a modest surplus.

Thirty-Shilling Tailors

THE short, sharp skirmish over the ownership of Prices Trust is over. As the holders of over 50 per cent of the 5s. ordinary shares in Prices Trust have accepted the offer of 30s. for each share made by United Drapery Stores, the attempt by the Anglo-Federal Banking Corporation to acquire a 51 per cent interest in Prices Trust by bidding 31s. for each share falls to the ground. United Drapery Stores had effectively won the victory before the contest was joined, as Sir Henry Price (with his control over 1,045,529 ordinary shares) and his fellow directors had already accepted its offer. Their decision to accept the lower rather than the higher bid has surprised some people, particularly as the Anglo-Federal Banking Corporation had stated that it intended that the business should be carried on and that all existing agreements should be duly respected. But Sir Henry Price and his fellow directors point out in a circular to shareholders that United Drapery Stores is well qualified "to preserve the continuity of the company's business" and that they did not know whether the Anglo-Federal Banking Corporation were acting as principals or as agents. Complete and assured continuity is obviously in the interests of employees; it may also be in the best long term interests of shareholders, even in these days when the book value of so many company's assets is so far below their real value.

The real issue that emerges from this episode is therefore the familiar one—but by some boards ignored—of the need for very full publicity. Obviously the first negotiations about a share offer must be conducted behind closed doors, but once a definite bid has been made shareholders should be told all the facts. More particularly, if there is more than one bid and the directors prefer one to the other, the reasons for their choice should be explained in detail. The directors fight the battle, but unless shareholders are told how they have fought it there will always be some barracking of the result.



WE'RE INVITING INVESTMENTS and this is why!

More houses are going up. More purchasers are asking building societies for advances to pay for them.

In the past six months this Society has agreed to lend £3,804,000 for the purchase of 2,582 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.

City Office:
163, MOORGATE, E.C.2.

ASSETS £75,000,000
75 BRANCHES

KEEP IN TOUCH WITH JAPAN THROUGH THE FUJI BANK

ESTABLISHED IN 1880



PAID UP CAPITAL ¥2,700,000,000

The **FUJI BANK** Ltd.

185 BRANCHES, LOCATED IN KEY CITIES THROUGHOUT JAPAN

HEAD OFFICE

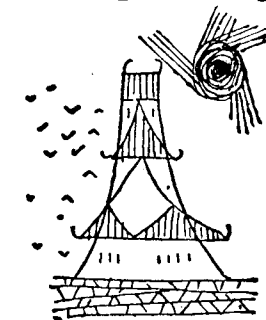
1-CHOME, OTEMACHI, CHIYODA-KU, TOKYO

LONDON BRANCH

1-4 COPTHALL CHAMBERS ANGEL COURT LONDON E.C.2

If It's About Japan—SANWA BANK

(Authorized Foreign Exchange Bank)



Chairman of the Board & President: TADAO WATANABE
Capital: ¥2,500,000,000
Head Office: IMABASHI, OSAKA
Tokyo Office: GOFUKUBASHI, TOKYO
SAN FRANCISCO BRANCH:
465 CALIFORNIA STREET, SAN FRANCISCO
A complete network of 185 nationwide branches and worldwide correspondents

SHORTER NOTES

By declaring an interim ordinary dividend of 8½ per cent on a capital of £60,100,880, the directors of Imperial Tobacco have recommended a rate that is for all practical purposes equivalent to last year's interim dividend of 13½ per cent, which was paid on the original capital of £37,563,049 before the 60 per cent free issue of shares. It seems reasonable to assume therefore that, unless trading conditions change very suddenly, the company is likely at least to maintain a full year's dividend of 20 per cent—a rate exactly equivalent to the one paid for the last financial year.

★

The slump in General Electric's gross profits from £6,603,957 to £4,230,234 in the year to March 31st last came as something of a shock to the market, and the £1 ordinary stock units (which had been marked up on the eve of the company's preliminary report) were immediately marked down 3s. to 40s. The decline in profits, which can probably be attributed to a drop in the sales of the company's consumer goods, was not however great enough to put the ordinary dividend in danger. By recommending a final dividend of 7½ per cent, the directors have fixed the full year's distribution at 11½ per cent; this is exactly equivalent to the rate of 22½ per cent paid in the two previous financial years on the ordinary capital of £5,877,720 before the 100 per cent scrip issue made last September.

Company Notes

DISTILLERS. Like so many of the other mammoths of British industry, Distillers have had to report a sharp slump in trading profits in the year to March 31st last—from £21,265,450 to £13,205,539 after writing down stocks by £1,970,016—but its directors have been able to recommend an unchanged dividend of 22½ per cent without any apparent difficulty. After this announcement, the 4s. ordinary stock units were marked down only marginally—by 3d. to 16s. 4½d. Stockholders had been prepared for a report of this character by the chairman's warning last year that the industrial and plastics divisions of the group's business were then experiencing "a heavy recession." The directors now reveal that all the group's trading divisions shared in the fall in profits, but that it was the chemicals division that "felt most keenly the severe economic changes experienced by industry generally in the past year."

A fall in the provision for taxation (from £11,816,737 to £6,641,394) has helped to protect stockholders from the direct effects of the recession in trade and profits. Even so, net profits have dropped from £7,466,839 to £4,101,072—partly because of higher charges for depreciation on new plant and equipment and for debenture and loan interest (following the issue of the new loan stock). The group, therefore, has not been able to plough as much back into the business as it did in 1951-52. But even here there is a sunnier side to the picture, for the decision to

write back £754,207 from stock contingencies reserves and to make a fresh appropriation of only £329,455 to these reserves (compared with £1,561,274 in 1951-52) shows that the directors are now

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	21,265,450	13,205,539*
Total income.....	21,817,643	14,604,274
Depreciation.....	1,395,730	1,464,792
Taxation.....	11,816,737	6,641,394
Net profit.....	7,466,839	4,101,072
Ordinary dividends (per cent).....	2,668,416	2,792,949
Retained by subsidiaries.....	22½	22½
General reserve.....	2,610,919	516,176
Stock contingencies res.	1,000,000	1,000,000
Added to carry forward.....	400,000	...
143,109	67,136	
4s. ordinary stock at 16s. 6d. yields £5 9s. per cent.		

* After writing down stocks by £1,970,016.

far less concerned with the problem of replacing stocks than they were in the years of soaring prices. Similarly, as profits in 1952-53 cannot have been distorted to any degree by windfall gains on stocks sold in a rising market, stockholders can look upon the cover given by net earnings to the ordinary dividend (which absorbs just under £2,800,000) with much more confidence. Certainly there is no reason to fear anything worse than a repetition of a 22½ per cent dividend for the current year, for the directors report that "a general improvement in the chemicals section both as regards output and profit margins" has taken place since the end of last March.

At a house-warming held last week by Thomas Hedley Limited, for its newly completed administrative headquarters outside Newcastle, the Minister of Food said that synthetic detergents now made up 25 per cent of the market and that he "understood" Hedleys to be the largest suppliers of them. Thomas Hedley, owned by the American company, Procter & Gamble, and Unilever are the two main contenders in this market, with Colgate-Palmolive-Peet, also American-owned, a possible runner-up. Some experts would doubt whether synthetics yet account for more than 20 per cent of the market; but the probable combined output of soap and synthetics should easily reach 500,000 tons this year, so the stakes in the market for detergents—one of the most bitterly contested among all consumer goods—are quite considerable.

★

The provisional offer by the Bavarian Mortgage and Exchange Bank to the holders of its 6½ per cent gold mortgage bonds follows the lines set out in the German debt settlement—as did the formal offer to the holders of the City of Hamburg loan. One-third of the interest arrears on the gold mortgage bonds is to be waived, the remaining two-thirds of the arrears are to be funded, the date of repayment is to be postponed to 1968, and the coupon rate is to be reduced from 6½ to 4½ per cent. There is still, however, some uncertainty about the rights of German holders, and final settlement of this debt may therefore be delayed.

UNITED DOMINIONS TRUST.

For the fifth successive year since the war the United Dominions Trust group established fresh records in the volume of its business and in its profits in the financial year to June 30th last. This success can be attributed in part to the wide ranging interests of this commercial banking house; they include the provision of credit to manufacturers and merchants selling goods under hire purchase contracts, the granting of loans to businesses wishing to renovate their buildings or to re-equip their factories, the provision of credit for engineering concerns and the ownership of the London Produce Clearing House and of Ryders Discount Company. They also include the ownership of subsidiaries granting credit facilities to borrowers in the Commonwealth. With ambitious—indeed some would say grandiloquent—official schemes for Commonwealth development in the air, these Commonwealth subsidiaries may become of even greater import to the group in the future; an indication of these expanding horizons can be found in Mr Gibson Jarvie's visit to Canada "to make preliminary investigation into the possibility of [the group] commencing operations there."

The growth of the group's business last year is reflected in an increase in the balance sheet total from £22,505,794 to £26,235,884. All the group's earning assets—including loans against security, advances to customers, amounts receivable under customers' agreements and bills receivable—show satisfactory increases, though this, of course, has been accompanied by an increase in loans and acceptances from £13,282,680 to £16,898,141. The dearer money policy of

the last two years does not seem to have significantly damped down demand for the type of finance that the Trust provides. Indeed the increase in the volume of business, together with the higher rates of interest, has led directly to the advance in profits from £766,202 to £850,200. And, although

	Years to June 30, 1952	1953
Consolidated earnings:—		
Gross profit.....	766,202	850,200
Taxation.....	402,981	440,529
Net profit.....	292,389	336,859
Ordinary dividends.....	105,000	121,875
Ordinary dividends (per cent).....	20	22½
Retained by subsidiaries.....	68,178	112,108
General reserve.....	65,615	33,500
Contingencies reserve.....	15,000	25,000
Added to carry forward.....	26,784	32,282
Consolidated balance sheet:—		
Loans against security.....	1,415,612	2,115,775
Advances to customers, etc.....	1,007,158	1,494,096
Amounts receivable.....	9,681,383	11,121,258
Bills receivable, etc.....	5,170,004	5,762,872
Cash.....	3,486,742	3,783,504
Loans and acceptances.....	13,282,680	16,898,141
Reserves.....	2,801,998	3,025,979
Ordinary capital.....	1,000,000	1,000,000
£1 ordinary stock at 74s. 6d. yields £6 1s. per cent.		

taxation has again cut deeply into earnings, the directors have been able not only to stick to their policy of building up the group's reserves but also to raise the ordinary dividend from 20 to 22½ per cent. In the next three years it will be surprising if any lending institution manages to keep as free from bad debts experience as it has since the war; but the bias towards capital goods in the Trust's activities and its progressive dividend policy seem amply to justify the current price of 74s. 6d. for the £1 ordinary stock.

★

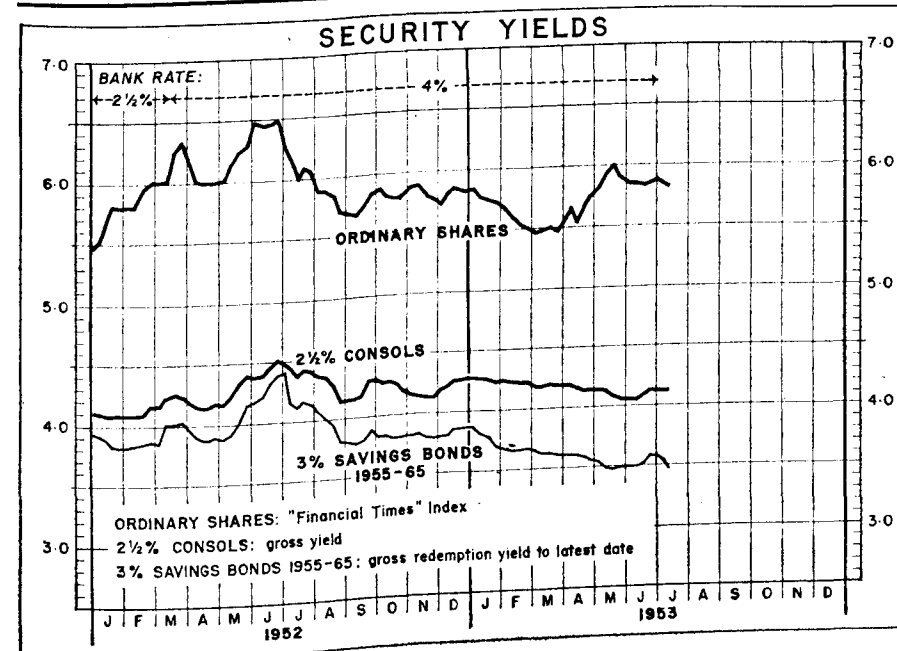
W. H. SMITH AND SON (HOLDINGS). More newspapers and books were sold from the familiar bookstalls of W. H. Smith and Son in the year to March 28th last than in the previous year; indeed the increase in the value of sales, which owed little or nothing to a rise in prices, came as something

of a surprise to the directors of the company. Unfortunately, however, wages and carriage charges increased even faster; and the group's trading profits, therefore, declined fractionally from £2,154,674 to £2,152,038. This tiny reduction, however, was accompanied by a much bigger fall in the provision for taxation—from £1,185,622 to £1,069,421—and net profits advanced from £570,837 to £732,678. The directors, therefore, had no difficulty in repeating the ordinary dividend of 12 per cent, and they have also been able to increase the appropriation to the general reserve from £290,000 to £400,000.

Perhaps, however, the most cheering feature of the group's accounts is that in spite of the increase in sales, stocks

	Years ended, Mar. 29, 1952	Mar. 28, 1953
Consolidated earnings:—		
Trading profit.....	2,154,674	2,152,038
Total income.....	2,180,744	2,173,735
Depreciation.....	194,543	193,807
Taxation.....	1,185,622	1,069,421
Net profit.....	570,837	732,678
Ordinary dividends.....	189,000	194,250
Ordinary dividends (per cent).....	12	12
General reserve.....	290,000	400,000
Added to group carry forward.....	4,986	7,835
Consolidated balance sheet:—		
Fixed assets, less depreciation.....	3,938,709	4,021,802
Net current assets.....	3,635,609	4,073,960
Stocks.....	2,167,252	2,129,663
Gilt-edged securities.....	...	515,975
Cash.....	1,581,448	1,541,651
Reserves.....	3,638,927	4,124,204
Ordinary capital.....	1,000,600	1,000,600
£1 "A" ordinary share at 41s. 3d. yields £5 17s. per cent.		

remained practically unchanged; in fact, the value of stocks as recorded in the balance sheet declined slightly from £2,167,252 to £2,129,663. Much of the new money ploughed back into the business, therefore, could be held as a liquid asset, and during the year the group purchased £513,975 of short-term Government securities. Although costs are still going up, the directors expect that the group will enjoy yet "another satisfactory year."



LONDON STOCK EXCHANGE

Next account begins: August 5th.
Next Contango Day: August 5th.
Next Settlement Day: August 11th.

THE biggest gains both in the Funds and industrial equities in the week to Wednesday's close, were made before the week-end; this advance petered out on the first two days of this week, but prices held the ground that had been gained. In the gilt-edged market interest at first was concentrated upon the "shorts" and the medium dated issues; but on Wednesday dealers reported that there was a tendency for investors to switch out of the "shorts" into the longer dated issues. In the week to Wednesday's close War Bonds (1952-54) improved by ½ to 80½; Savings Bonds (1965-75) by ¼ to 85½; and Transport (1978-88) by ¼ to 80½; the most sustained improvement of all was made by Savings Bonds (1955-65) which rose from 95½ to 95½. Home Corporation issues attracted some support and bank and insurance shares improved on a broad front. The steadiness in the gilt-edged market set the stage for a promising debut by the new 4½ per cent debenture stock issued by English Electric at 97½; after active dealings on Tuesday it closed at 2½ premium. In the foreign market the final stages of the ratification of the German debt settlement touched off a little extra demand for German issues before the week-end; later on attention switched to Japanese bonds, which had previously been dull.

Before the week-end many of the better known "blue-chips" received some support, though most attention was focused upon textile and colliery shares. Immediately after the week-end there was a slackening of interest and although little of the ground originally gained was lost the most active section of the market was that dealing in "take-over" shares. On Wednesday, however, interest again broadened to include textile, tobacco, building, motor and stores issues. Oil, rubber and tea shares remained quite firm. Kaffir shares tended to drift lower in advance of the South African budget but turned slightly better once it was known that the gold mines were not to suffer from fresh taxation. Lead-zinc shares were steady, but tin shares drooped a little further.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord *	Fixed Int.†	2½% Cons.	Ord.
July 15...	119.6	108.52	4.12	5.84
" 16...	120.1	108.57	4.12	5.82
" 17...	120.1	108.63	4.12	5.81
" 20...	120.1	108.63	4.12	5.82
" 21...	120.3	108.62	4.12	5.80
" 22...	120.5	108.63	4.12	5.80
1953, High.	125.0	108.76	4.12	6.529
" (Mar. 6)	113.9	105.68	" 16	6.316
" Low.	113.9	105.68	" 17	6.343
" (May 20)	120.5	108.63	" 20	8.278
1952, High.	121.5	106.66	" 21	7.211
" (Jan. 1)	103.1	100.67	" 22	7.025
" Low.	103.1	100.67		
" (June 24)				

* July 1, 1925=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to July 22		BRITISH FUNDS AND GUARANTEED STOCKS		Price, July 22, 1953	Price, July 22, 1953	Net Yield, July 22, 1953	Gross Yield, July 22, 1953	Prices, 1953 Jan. 1 to July 22	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, July 22, 1953	Price, July 22, 1953	Yield, July 22, 1953
High	Low							High	Low					
100 1/4	99 3/4	War Bonds 2 1/2% '52-54	99 3/4	100	100	12 1/2	12 1/2	39 10/16	32 3/4	10 1/2	12 1/2	34 1/2	34 1/2	7 1/4
99 1/4	98 3/4	Exchequer 2 1/2% 1955	99 1/4	99 1/4	99 1/4	11 1/2	11 1/2	10 10/16	10 10/16	11 1/2	11 1/2	11 1/2	11 1/2	8 1/4
101 1/4	99 1/4	Exchequer 3% 1960	101 1/4	101 1/4	101 1/4	13 1/2	13 1/2	55 1/4	45 3/4	5 1/2	10 1/2	50 1/2	50 1/2	6 0 0
99 1/4	98 3/4	Serial Funding 1 1/2% 1953	99 1/4	99 1/4	99 1/4	10 1/2	10 1/2	50 3/4	44 1/2	2 1/2	12 1/2	49 1/2	49 1/2	6 1 3
99 1/4	98 3/4	Serial Funding 1 1/2% 1954	99 1/4	99 1/4	99 1/4	10 1/2	10 1/2							
101 1/4	100 1/4	Serial Funding 3% 1955	100 1/4	100 1/4	100 1/4	12 1/2	12 1/2	31 1/2	21 1/4	7 1/2	4 1/2	30 1/2	30 1/2	7 6 8
100 1/4	98 3/4	War Bonds 2 1/2% '54-56	99 1/4	99 1/4	99 1/4	11 1/2	11 1/2	27 1/2	21 1/4	11 1/2	12 1/2	26 1/2	26 1/2	5 19 8 1/2
100 1/4	99 1/4	Funding 2 1/2% '52-57	100 1/4	100 1/4	100 1/4	12 1/2	12 1/2	48 1/4	41 1/4	5 1/2	7 1/2	42 1/2	42 1/2	5 17 8
101 1/4	99 1/4	Nat. Def. 3% '54-58	101 1/4	101 1/4	101 1/4	14 1/2	14 1/2	43 3/4	37 3/4	5 1/2	6 1/2	41 1/2	41 1/2	5 5 11
102 1/4	99 1/4	War Loan 3% '55-59	101 1/4	101 1/4	101 1/4	12 1/2	12 1/2	45 1/2	38 1/2	10 1/2	5 1/2	43 1/2	43 1/2	6 16 4 1/2
96 1/4	91 1/4	Savings Bonds 3% '55-65	95 1/4	95 1/4	95 1/4	10 1/2	10 1/2	61 10/16	49 1/2	4 1/2	16 1/2	60 1/2	60 1/2	6 13 4
98 1/4	93 1/4	Funding 2 1/2% '56-61	97 1/4	97 1/4	97 1/4	11 1/2	11 1/2	81 1/2	73 1/2	7 1/2	12 1/2	75 1/2	75 1/2	5 3 3
91 1/4	86 1/4	Funding 3% '59-69	90 1/4	90 1/4	90 1/4	12 1/2	12 1/2	37 1/2	33 1/2	2 1/2	8 1/2	35 1/2	35 1/2	5 10 4
93 1/4	87 1/4	Funding 3% '66-68	91 1/4	91 1/4	91 1/4	12 1/2	12 1/2	60 1/2	51 1/2	10 1/2	5 1/2	53 1/2	53 1/2	5 14 3
101 1/4	98 1/4	Funding 4% '60-90	101 1/4	101 1/4	101 1/4	13 1/2	13 1/2	46 1/2	38 1/2	3 1/2	7 1/2	40 1/2	40 1/2	5 5 11
90 1/4	85 1/4	Savings Bonds 3% '60-70	89 1/4	89 1/4	89 1/4	12 1/2	12 1/2							
89 1/4	84 1/4	Savings Bonds 2 1/2% '64-67	88 1/4	88 1/4	88 1/4	12 1/2	12 1/2	19 1/2	15 1/2	5 1/2	6 1/2	16 1/2	16 1/2	6 5 0
103 1/4	100 1/4	Victory 4% '20-76	102 1/4	102 1/4	102 1/4	13 1/2	13 1/2	7 1/2	5 1/2	17 1/2	4 1/2	16 1/2	16 1/2	6 5 0
87 1/4	82 1/4	Savings Bonds 3% '65-75	85 1/4	85 1/4	85 1/4	12 1/2	12 1/2	23 1/2	19 1/2	7 1/2	4 1/2	20 1/2	20 1/2	6 5 0
92 1/4	86 1/4	Consols 4% aft. Feb. '57	89 1/4	89 1/4	89 1/4	12 1/2	12 1/2	30 1/2	25 1/2	15 1/2	6 1/2	26 1/2	26 1/2	5 15 5
81 1/4	77 1/4	Conv. 3 1/2% aft. April '61	81 1/4	81 1/4	81 1/4	12 1/2	12 1/2	42 10/16	36 1/2	5 1/2	6 1/2	41 1/2	41 1/2	5 10 10
62 1/4	57 1/4	Treas. 2 1/2% aft. April '75	60 1/4	60 1/4	60 1/4	12 1/2	12 1/2	78 1/2	66 1/2	25 1/2	5 1/2	80 1/2	80 1/2	6 5 0
72 1/4	67 1/4	Treas. 3% aft. April '66	71 1/4	71 1/4	71 1/4	12 1/2	12 1/2	24 1/2	19 1/2	25 1/2	5 1/2	26 10 1/2	26 10 1/2	6 4 0 0
92 1/4	87 1/4	Treas. 3 1/2% '77-80	90 1/4	90 1/4	90 1/4	12 1/2	12 1/2	58 1/2	47 1/2	5 1/2	6 1/2	61 1/2	61 1/2	4 17 11
90 1/4	85 1/4	Treas. 3 1/2% '79-81	89 1/4	89 1/4	89 1/4	12 1/2	12 1/2	7 1/2	5 1/2	12 1/2	6 1/2	6 1/2	6 1/2	9 12 0
81 1/4	76 1/4	Redemption 3% '86-96	80 1/4	80 1/4	80 1/4	12 1/2	12 1/2							
82 1/4	77 1/4	War L'n 3 1/2% aft. Dec. '52	81 1/4	81 1/4	81 1/4	12 1/2	12 1/2	21 1/4	19 1/2	10 1/2	6 1/2	20 1/2	20 1/2	5 0 0
62 1/4	58 1/4	Consols 2 1/2% '65-75	60 1/4	60 1/4	60 1/4	12 1/2	12 1/2	16 1/2	14 1/2	22 1/2	5 1/2	15 1/2	15 1/2	5 0 4
88 1/4	83 1/4	Br. Elec. 3% '68-73	87 1/4	87 1/4	87 1/4	12 1/2	12 1/2	97 1/2	85 1/2	5 1/2	6 1/2	96 1/2	96 1/2	4 17 4
86 1/4	81 1/4	Br. Elec. 3 1/2% '74-77	85 1/4	85 1/4	85 1/4	12 1/2	12 1/2	58 1/2	46 1/2	15 1/2	6 1/2	57 1/2	57 1/2	4 6 2
101 1/4	99 1/4	Br. Elec. 4 1/2% '74-79	101 1/4	101 1/4	101 1/4	12 1/2	12 1/2	44 1/2	36 1/2	55 1/2	6 1/2	43 1/2	43 1/2	4 16 6
101 1/4	99 1/4	Br. Elec. 4 1/2% '74-79	101 1/4	101 1/4	101 1/4	12 1/2	12 1/2	6 1/2	5 1/2	5 1/2	6 1/2	6 1/2	6 1/2	5 7 8
101 1/4	99 1/4	Br. Elec. 4 1/2% '74-79	101 1/4	101 1/4	101 1/4	12 1/2	12 1/2	40 1/2	31 1/2	24 1/2	6 1/2	39 1/2	39 1/2	6 8 0
82 1/4	76 1/4	Br. Trans. 3% '78-88	80 1/4	80 1/4	80 1/4	12 1/2	12 1/2	42 1/2	32 1/2	4 1/2	6 1/2	41 1/2	41 1/2	4 15 4
88 1/4	83 1/4	Br. Trans. 3 1/2% '68-73	87 1/4	87 1/4	87 1/4	12 1/2	12 1/2	75 1/2	63 1/2	5 1/2	6 1/2	74 1/2	74 1/2	5 17 9
99 1/4	95 1/4	Br. Trans. 4% '72-77	98 1/4	98 1/4	98 1/4	12 1/2	12 1/2	29 1/2	23 1/2	11 1/2	6 1/2	28 1/2	28 1/2	5 17 9
81 1/4	76 1/4	Br. Gas 3% '90-95	80 1/4	80 1/4	80 1/4	12 1/2	12 1/2							
95 1/4	91 1/4	Br. Gas 3 1/2% '69-71	94 1/4	94 1/4	94 1/4	12 1/2	12 1/2	44 1/2	34 1/2	16 1/2	6 1/2	43 1/2	43 1/2	5 0 3

(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 13 years approximately.

Prices, 1952 Jan. 1 to July 22		TRUSTEE STOCKS AND FOREIGN BONDS		Price, July 22, 1953	Price, July 22, 1953	Yield, July 22, 1953
High	Low					
88 1/4	81 1/4	Aust. 3 1/2% '65-69	87 1/4	87 1/4	8 1/2	8 1/2
92 1/4	86 1/4	N. Zealand 3 1/2% '62-65	93 1/4	93 1/4	10 1/2	10 1/2
98 1/4	92 1/4	S. Africa 3 1/2% '54-59	96 1/4	96 1/4	4 1/2	4 1/2
68 1/4	60 1/4	L.C.C. 3% aft. 1920	69 1/4	69 1/4	6 1/2	6 1/2
91 1/4	84 1/4	Liverpool 3% '54-64	93 1/4	93 1/4	13 1/2	13 1/2
91 1/4	85 1/4	P.L.A. 3 1/2% '66-71	91 1/4	91 1/4	4 1/2	4 1/2
103 1/4	97 1/4	Agrie. Mort. 5% '59-89	102 1/4	102 1/4	12 1/2	12 1/2
13 1/4	6 1/4	Austria 4 1/2% '34-59	12 1/4	12 1/4	4 1/2	4 1/2
68 1/4	43 1/4	Chinese 5% 1913	78 1/4	78 1/4	18	18
85 1/4	45 1/4	German 5% 1913	53 1/4	53 1/4	54 1/2	54 1/2
145 1/4	103 1/4	Japan 5% 1907	123 1/4	123 1/4	122	122

Prices, 1953 Jan. 1 to July 22		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, July 22, 1953	Price, July 22, 1953	Yield, July 22, 1953
High	Low							
64 1/4	58 1/4	7 1/2	7 1/2	BANKS & DISCOUNT		63 1/2	63 1/2	4 8 11
53 1/4	46 1/4	6 1/2	6 1/2	Barclays "B" £1		52 1/2	52 1/2	4 11 6
72 1/4	64 1/4	8 1/2	8 1/2	Lloyds "A" £5, £1 pd.		71 1/2	70 1/2	4 10 9
73 1/4	59 1/4	8 1/2	8 1/2	Midland £1, fully pd.		71 1/2	71 1/2	4 15 1
80 1/4	70 1/4	9 1/2	9 1/2	N. Prov. "B" £5, £1 pd.		78 1/2	79 1/2	4 11 2
75 1/4	67 1/4	10 1/2	10 1/2	Westminster £4, £1 pd.		74 1/2	74 1/2	4 14 0
39 1/4	35 1/4	5 1/2	5 1/2	Alexanders £2, £1 pd.		38 1/2	38 1/2	5 5 3
46 1/4	39 1/4	5 1/2	5 1/2	Nat. Disc. "A" £1		41 1/2	41 1/2	4 17 7
39 1/4	32 1/4	4 1/2	4 1/2	Union Disc. £1		33 1/2	33 1/2	4 15 6
49 1/4	39 1/4	7 1/2	7 1/2	Chart. (D.C. & O.) "A" £1		41 1/2	41 1/2	6 16 7 1/2
				Bar. Bk. of India £1				
				INSURANCE				
				Leg. & Gen. £1, 5/- pd.		8 1/2	8 1/2	3 17 2
				40th Pearl £1, fully pd.		20 1/2	20 1/2	5 6 5
				Prudential "A" £1		35 1/2	35 1/2	5 6 10
				BREWERIES, ETC.				
				10 Bass £1		117 1/2	116 1/2	7 10 1
				15 Distillers 4/-		16 1/2	16 1/2	5 9 1
				7 Guinness 10/-		28 1/2	28 1/2	5 19 4
				4 Ind. Coops 5/-		8 1/2	8 1/2	7 1 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 18-6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) To latest date. (l) Dividend of 17 1/2% for 4 months; yield basis 10 1/2%. (m) Yield basis 8 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%.

New York Closing Prices

	July 15	July 22	July 15	July 22	July 15	July 22
Balt. & Ohio	24 1/2	24 1/2	Am. Smelting	31 1/2	31 1/2	50 1/2
Can. Pac.	26 1/2	26 1/2	Am. Viscose	43 1/2	43 1/2	18 1/2
N.Y. Cent.	24 1/2	24 1/2	Cel. of Amer.	24 1/2	24 1/2	58 1/2
Pennsyl.	21 1/2	21 1/2	Chrysler	70 1/2	70 1/2	71 1/2
Amer. Tel.	154 1/2	154 1/2	Gen. Elec.	72 1/2	72 1/2	72 1/2
Staud. Gas	18 1/2	18 1/2	Gen. Motor	58 1/2	58 1/2	38 1/2
United Corp.	43 1/2	43 1/2	Goodyear	49 1/2	49 1/2	44 1/2
W. Union Tel.	43 1/2	43 1/2	Inter. Nickel	41 1/2	41 1/2	44 1/2

EXCHEQUER RETURNS

For the week ended July 18th there was an "above-line" deficit (after allowing for Sinking Funds) of £29,558,000, compared with a deficit of £4,903,000 in the previous week and a deficit of £18,845,000 in the corresponding period last year, bringing the cumulative deficit to £184,772,000 (£231,919,000 in 1952-53). Net expenditure "below-line" absorbed £22,470,000 raising the total cumulative deficit to £332,865,000 (£428,887,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to July 19, 1952	April 1, 1953 to July 18, 1953	Week ended July 19, 1952	Week ended July 18, 1953
Ord. Revenue					
Income Tax	1782,250	325,336	295,631	18,707	17,119
Sur-tax	127,000	24,600	24,000	600	1,000
Death Duties	160,000	46,500	52,600	1,900	2,400
Stamps	52,000	16,550	15,800	600	900
Profits Tax & E.P.T.	214,000	92,000	55,900	9,300	5,100
Excess Profits Levy	99,500	...	15,050	...	600
Special Contribution and other Inland Revenue	1,000	630	330	...	...
Total Inland Rev.	2436,750	504,116	459,311	31,107	27,119
Customs	1044,300	310,432	315,824	20,236	18,846
Excise	680,480	188,357	187,510	4,225	4,235
Total Customs and Excise	1724,780	498,789	503,334	24,461	23,081
Motor Duties	69,000	7,847	9,258	...	109
PO (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	2,700	3,000	...	...
Sundry Loans	25,000	5,242	6,201	...	3
Miscell.	95,000	31,061	28,116	...	74
Total	4368,215	1049,755	1009,220	55,568	50,386
Ord. Expenditure					
Debt Interest	615,000	148,229	148,394	10,059	110
Payments to N. Ireland Exchequer	48,000	10,123	12,884	...	...
Other Cons. Fund	10,000	4,065	3,677	504	...
Supply Services	3586,286	1110,701	1021,186	62,880	79,400
Total	4259,286	1273,117	1186,140	73,363	79,514
Sinking Funds	...	8,557	7,852	1,050	430
" Above-line " Surplus or De- ficit (£m.)		-231,919	-184,772	-18445	-295558
" Below - line " Net Expen- diture		196,968	148,093	17,904	22,477
Total Surplus or Deficit (£m.)		-428,887	-332,865	-36749	-620222
Net Receipts (£ mn) from :					
Tax Certificates		5,722	63,471	-2457	204
Savings Certificates		-10,300	9,200	-1500	-500
Defence Bonds		-31,741	-21,712	-2062	-1593

Statistics

The statistical pages will appear weekly, monthly or quarterly as indicated.

BRITISH		OVERSEAS	
Prices and Wages	(M)	Western Europe :	
Production and Consumption	(M)	Production and Trade	(M)
Manpower	(M)	British Commonwealth	(M)
External Trade	(M)	Western Europe :	
Financial Statistics	(W)	Prices and Money Supply	(M)
Industrial Profits	(Q)	United States	(M)

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	April	May	June	March	April	May	June
VALUE											
Imports :											
Total	£ million	217.4	325.3	290.1	325.6	320.3	276.4	285.7	293.3	295.7	291.6
Food, drink and tobacco	"	85.8	107.8	101.2	116.2	114.8	101.2	105.7	119.7	121.1	123.9
Raw materials	"	82.9	142.5	116.7	134.2	124.9	108.0	118.0	115.0	115.2	108.9
Exports of UK produce :											
Total	"	180.9	215.0	215.1	219.6	228.1	187.4	212.9	214.8	211.7	203.9
Manufactures—total	"	156.9	189.4	186.1	194.0	199.1	164.1	182.6	186.2	182.8	176.9
" metals & engineering products	"	89.3	99.9	110.0	115.1	121.9	99.0	108.8	112.2	109.5	106.5
" textiles and clothing	"	34.7	44.9	31.8	33.1	29.5	25.9	30.4	31.4	30.4	28.2
" other	"	32.9	44.6	44.3	45.8	47.7	39.2	43.4	42.6	42.9	42.2
Re-exports	"	7.1	10.6	12.0	11.6	9.8	8.3	10.9	8.9	7.2	7.8
Balance of trade (exports less imports) ..	"	-29.4	-99.7	-65.0	-94.4	-82.4	-80.7	-61.9	-69.6	-76.8	-79.9
VOLUME											
Imports	1950-100	100.0	112.5	103.0	...	106.3	...	...	117	118	...
Exports	"	100.0	101.2	95.0	97	100	83	96	97	96	...
BY AREA											
Imports :											
Dollar area—total	£ million	49.0	64.5	60.1	74.0	75.6	63.5	45.6	53.8	50.6	...
" USA	"	17.6	31.7	26.3	36.0	26.5	19.3	23.6	29.3	17.8	...
" Canada	"	15.0	21.7	26.6	26.6	35.7	33.8	16.8	15.5	24.3	...
Non-sterling OEEC countries	"	54.6	84.0	71.4	71.0	75.1	70.3	68.9	61.4	64.3	...
Sterling area	"	82.6	116.5	119.8	125.6	123.6	109.7	132.9	145.4	142.0	...
Exports :											
Dollar area—total	"	24.9	28.9	31.4	27.6	32.6	28.6	31.6	36.7	33.9	...
" USA	"	10.6	12.8	15.1	14.3	15.9	13.9	14.2	15.6	14.2	...
" Canada	"	10.7	11.7	11.0	9.7	11.4	9.7	12.7	16.3	15.1	...
Non-sterling OEEC countries	"	49.2	56.0	58.3	52.7	60.5	50.1	66.6	63.3	61.1	...
Sterling area	"	87.4	110.8	107.0	114.3	102.9	87.2	103.9	103.1	103.6	...
Balance of trade (exports less imports) ..	"	-15.2	-35.6	-28.7	-46.4	-43.0	-34.9	-14.0	-17.1	-16.7	...
Dollar area	"	-5.4	-28.0	-13.1	-18.3	-14.6	-20.2	-2.3	+ 1.9	- 3.2	...
Non-sterling OEEC countries	"	+ 4.8	- 5.7	-12.8	-11.3	-20.7	-22.5	-29.0	-42.3	-38.4	...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	272.2	337.7	325.5	311.1	387.3	487.3	322.9	264.4	360.8	499.7
Meat	"	67.5	39.9	45.5	46.0	44.9	49.4	61.8	81.8	69.3	61.7
Sugar, unrefined	"	174.3	186.8	166.3	190.1	306.6	215.5	163.4	301.8	363.4	259.0
Raw cotton (2)	"	37.4	37.5	21.8	33.9	14.1	14.2	31.1	27.2	22.9	33.3
Raw wool, sheep's and lambs' (2)	min. lb.	49.0	36.0	52.0	70.8	62.1	47.6	87.9	82.9	98.3	68.2
Rubber, natural and synthetic (2) ..	'000 tons	18.7	25.1	16.7	18.0	29.0	18.4	20.6	14.5	21.5	18.9
Softwood	'000 stds.	65.9	135.6	85.2	53.3	96.9	99.8	89.6	90.7	115.3	180.7
Woodpulp	'000 tons	119.3	139.3	119.9	123.2	163.1	115.1	104.3	112.5	136.1	127.5
Crude petroleum	min. galls.	197	359	483	539	503	522	555	551	600	535
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,464	961	1,254	1,048	1,471	1,275	1,306	1,381	1,495	1,244
Woven piece-goods—cotton	min. sq. yds.	69	72	59	59	51	52	56	60	58	52
" wool	'000 sq. yds.	10,611	9,894	8,190	7,184	7,747	7,327	8,388	8,360	8,283	7,881
Passenger cars and chassis	Number	33,177	30,717	25,819	26,904	32,145	24,285	24,887	25,594	30,939	30,077
Commercial vehicles and chassis	"	12,035	11,425	10,706	10,592	13,625	10,241	9,242	7,940	9,201	8,576
Agricultural tractors	"	6,997	9,388	8,745	9,824	11,467	7,922	8,801	9,510	7,735	8,202
Machinery—electrical	£'000	3,821	4,022	4,799	5,264	4,767	3,784	5,234	6,008	4,644	4,554
" other	"	22,715	26,245	30,346	31,983	32,776	27,135	28,760	30,320	29,397	27,832
Chemicals	"	4,991	6,533	6,774	6,523	8,224	6,089	6,310	5,870	5,938	5,680

(1) Average for second quarter. (2) 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 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	36.6	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	...	130	103	126	184.9	64.71	66.17
1952	111.6	107.0	113.5	114.6	105.8	...	123	102	121	195.0	67.97	67.97
1953												
January	109.9	99.6	113.9	113.1	104.6	116.4	117	102	115	204.7	71.34	71.06
February	109.6	97.9	113.4	111.5	104.6	116.6	119	102	117	201.9	71.17	71.24
March	110.0	99.8	113.6	111.7	104.7	116.8	118	102	116	203.9	71.93	71.86
April	109.4	97.3	113.7	111.5	104.6	117.0	...	...	...	193.7	71.40	71.26
May	109.8	97.9	114.0	112.1	104.7	117.1	...	...	...	194.1	71.05	70.77

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates \$ billion	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted \$ million	Civilian employment			
			Durable goods			Non-durable goods				Total labour force	Total employment	Unem- ployed as % of labour force	
			Total	Iron and steel	Auto- mobiles	Total	Textiles	Chemicals					
Index 1935-39 = 100; seasonally adjusted									thousands	% rate			
1939	91.3	109	109	114	94	109	112	112	683	55,230	45,750	17.2	
1951	329.2	220	273	259	237	194	174	299	2,575	62,884	61,005	3.0	
1952	346.1	219	280	243	230	189	161	301	2,720	62,966	61,293	2.7	
1953													
February	361.0	240	322	290	301	199	173	310	2,985	62,712	60,924	2.9	
March			243	328	297	312	201	173	314	3,038	63,134	61,460	2.7
April	368.0	241	326	292	311	198	168	319	2,981	62,810	61,228	2.5	
May			241	320	291	300	201	175	323	2,892	62,964	61,658	2.1
June			241	319	...	...	201	...	...	2,909	64,734	63,172	2.4

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										1936-38=100	
1939	67.5	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1951	208.0	44.45	74.06	13.19	20.75	895	280	205	1,240	708	144	247
1952	216.3	45.57	74.76	13.67	20.80	...	245	214	1,252	777	151	250
1953												
January	226.2	47.38	74.62	14.14	20.81	914	236	226	1,265	851	162	253
February	226.2	48.83	74.94	14.51	20.97	848	209	222	1,184	828	149	239
March	228.0	49.10	75.34	14.44	21.10	992	234	243	1,369	971	174	274
April	228.0	50.05	76.47	14.35	21.66	998	...	...	1,379	...	...	...
May	228.0	49.38	77.13	14.43	21.74	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ⁴		Budget expenditure ⁵		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		\$ million		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	254.1	170.7	15.6	21.47	14.84	74.9	57.7	44.6	+ 3.5	1.552	2.57	2.86
1952	268.3	182.4	15.2	25.71	18.64	77.5	64.2	66.1	- 4.0	1.766	2.68	2.96
1953												
February	280.9	192.9	14.6	25.26	18.86	76.0	64.1	5.6	- 0.1	2.018	2.83	3.07

WESTFALENBANK

AKTIENGESELLSCHAFT
BOCHUM
GERMANY

Balance Sheet at December 31, 1952

(Summary)

LIABILITIES		ASSETS	
	DM	DM	DM
Deposits—			
(a) Current Account ...	152,027,057.17		
(b) Deposit Accounts...	132,770,306.91		
(c) Savings Accounts...	2,844,552.22		
		287,641,916.30	
Balances (other Banks) ...		27,901,759.52	
Acceptances & Promissory Notes		8,752,487.—	
Long-term Loans		62,168,797.22	
Capital		10,000,000.—	
Reserves pursuant to Section 11 KWG—			
(a) Statutory Reserve	3,500,000.—		
(b) Ordinary Reserve	—	3,500,000.—	
		3,535,349.85	
Contingent Reserves		250,151.83	
Other Liabilities		287,085.49	
Transitory Items		420,000.—	
Net Profit 1952			
Guarantees & Endorsements	22,264,149.01		
Contingent Liabilities—on Bills Negotiated.....	52,480,820.26		
		404,457,547.21	
			404,457,547.21

Profit and Loss Account for the Financial Year 1952

EXPENDITURE		RECEIPTS	
	DM	DM	DM
(1) Administrative Expenses (incl. Contractual Emoluments) and Taxes		5,807,499.49	
(2) Depreciation and Value Adjustments—			
(a) Land and Buildings.....	125,924.99		
(b) Furniture, Fixtures and Fittings	146,853.02		
(c) Building Loans pursuant to Sections 7c/7d Eink StG.....	170,500.—		
		443,278.01	
(3) Extraordinary Expenses ...		2,260,807.80	
(4) Transfer to Statutory Reserve		2,186,923.07	
(5) Profit 1952		420,000.—	
		11,118,508.37	
			11,118,508.37

Bochum, May 1953.

BOARD OF DIRECTORS
Hollenberg Klein

I have examined the books and records of the Company and, having obtained all the information and explanations necessary for my audit from the directors, I find the books, the balance sheet, and the yearly survey where it explains the balance sheet, to be in accordance with legal requirements.
Münster (Westf.), May, 1953.

Dr. Schumacher,
Chartered Accountant.

SUPERVISORY BOARD: Dr.-Ing. Willy van Delden, Ahaus i.W., Chairman; Otto Werthmann, Lühringsen bei Soest, Deputy Chairman; Dr.-Ing. E.H. Heinrich Kost, Kapellen, Kr. Moers; Carl Ludwig Kümpers, Rheine i.W.; Dr. jur. Carl Moskopp, Dortmund; Dr.-Ing. E.H. Günther Quandt, Frankfurt a.M.; Fritz Ridderbusch, Essen.

COMPANY MEETINGS

PATONS AND BALDWIN'S, LIMITED

The annual general meeting of Patons and Baldwins, Limited, will be held on August 25th at Darlington.

The following is the statement by the chairman, Mr Philip A. Wright, which has been circulated with the report and accounts:

It was announced in the latter part of April that Mr Alexander Forrester-Paton had resigned from the board of directors of your company owing to ill-health. Mr Forrester-Paton joined John Paton Son and Company in 1899 and was appointed a director of Patons and Baldwins, Limited, upon formation in 1920, became vice-chairman in 1933 and was chairman of directors from 1938 to 1951. Mr John Forrester-Paton who, like his brother, has a record of a lifetime of service with John Paton Son and Company and with your company, attained the age of seventy years earlier this year and does not offer himself for re-election to the board. I wish to place on record the great services to the company of these two gentlemen. During the year the board appointed Mr J. S. Bullimore as vice-chairman of directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The surplus on trading brought into Section I of the consolidated profit and loss account is £3,185,940 compared with a deficit of £293,492 for last year. The corresponding surplus two years ago was £3,834,696 and these figures emphasise how greatly your company has recovered from the doldrums to which trade had drifted in the autumn and winter of 1951-52.

During the year the company liquidated its holding in an associated company in the United States and has since made alternative and very satisfactory agency arrangements for the sale of the Beehive range of yarns in that country. The cost of the investment in the American company was £187,916 and its realisation has yielded a surplus of £129,729 which is shown in the trading account. A substantial part of this represents an exchange profit since the original investment was made partly in the days of a \$5 exchange and partly at \$4 whereas it has been liquidated upon a basis of \$2.80=£1.

The charges shown in Section I of the trading account follow the standard lines. Depreciation shows a substantial increase from £372,287 to £513,305 largely due to non-recurring adjustments necessary on receiving the final analysis of capital expenditure for the construction of the Darlington factory and to a re-assessment of the expected life of some of the company's newer continuous spinning machinery. The directors are glad that the results of the group once again warrant the payment of a bonus to employees both at home and abroad and £110,359 has been charged for this purpose. The balance carried from Section I to Section II of the profit and loss account is £2,474,710 compared with a deficit of £634,794 last year.

TAXATION

In Section II are shown the charges for United Kingdom and Dominion taxation based on the income of the year. The charge for Dominion income tax largely arises in respect of the profits of the Australian subsidiary which, together with the profits of other subsidiaries, are included in the con-

solidated statement. The amount of £838,336 covers the charge for British income tax and profits tax leviable on the income of the year less, in the case of income tax, arrears of capital allowances which could not be granted last year, and in the case of profits tax less the loss incurred last year. But for these deductions the charge for taxation would have been some £280,000 higher. The charge of £147,226 for profits tax on distributions to stockholders covers tax on the dividends on the company's 6½ per cent and 4 per cent preference stocks as well as on the total ordinary distribution of 20 per cent which the board recommends. During the year negotiations have been concluded with the income tax authorities consequent upon the formation of Patons & Baldwins (Far East) Limited and the taking over of the company's business in Australia by Patons & Baldwins (Australia) Limited. These negotiations result in provisions made in earlier years for United Kingdom and Dominion taxation to the extent of £476,705 not being required and being free, therefore, to bring back to the credit of profit and loss account.

After elimination of the interest of outside stockholders in the profits of the Australian subsidiary amounting to £112,843 the net surplus for the year carried from Section II to the appropriation account is £1,628,616 compared with a deficit last year of £482,660.

APPROPRIATION ACCOUNT

Patons & Baldwins (Australia) Limited has, like the home company, had a very satisfactory trading year and as well as declaring a dividend at the rate of 6 per cent on its issue of ordinary stock, of which Australian investors hold one-third, has taken a substantial sum to reserve. The parent company's proportion of this amount, namely, £106,242, is shown in Section III of the profit and loss account.

Under the trust deed securing the company's issue of 4 per cent first mortgage debenture stock 1960-75 there is an obligation to set aside, in addition to interest on outstanding stock, a sum equal to the difference between that interest and £165,000 for the purpose of redemption of outstanding stock. In lieu of paying to the trustees the sum mentioned, the company may surrender stock purchased in the open market. Stock Exchange conditions during the year made it possible for the company to purchase the debenture stock required at prices below par and, in fact, a profit on purchase amounting to £3,445 was made on the total of stock redeemed by purchase having a nominal value of £48,448. The board consider it prudent to transfer from profits an amount equal to the nominal value of stock redeemed and this sum appears as a capital reserve in the balance sheet.

After deducting the two sums mentioned and bringing in the unabsorbed balance on profit and loss account from last year amounting to £428,530 there is available a total of £1,902,456. The dividends on the company's issues of preference stocks and the interim dividend of 4 per cent paid on the ordinary stock require £167,411 and there is, therefore, a balance of £1,735,045 to be appropriated. In considering this substantial figure regard must be had to the fact that the surplus for the year contains non-recurring credits amounting to £606,434 from the realisation of trade investment and taxation provisions not required and that the

charge for taxation has been reduced by some £280,000 by reason of last year's loss. In addition, it will be recalled that it was necessary to bring back from contingencies reserve last year a sum of £700,000 in order to pay preference dividends and a total of 10 per cent on the ordinary stock. Accordingly, the directors recommend that the sum of £1,735,045 be appropriated in the following manner:

£	232,217	in payment of a final dividend of 11 per cent and a bonus of 5 per cent on the ordinary stock.
1,000,000		to contingencies reserve.
502,828		to be carried forward to next year.
1,735,045		

CONTINGENCIES RESERVE

In recommending an appropriation to contingencies reserve of £1 million, of which £606,434 is looked upon as coming from non-recurring sources and £393,566 from the trading surplus, the board have in mind the need to conserve the liquid resources of the company in view of the substantial bank borrowing which is necessary even at today's level of wool prices and the need for the company to maintain an adequate reserve against contingencies. Since the heavy fall in wool values which took place so suddenly after the peak of March, 1951, there has been a steady rise in prices and while falls of equal severity are unlikely there are bound to be fluctuations and if stability is to be looked for at all in the future the company must have available a substantial reserve built up out of profits. In 1939 the market price of 64's Tops was in the neighbourhood of 25½d. per lb and a variation in price of 10 per cent, that is 2½d. per lb, would have caused some consternation. At our stocktaking in 1953 the market price of 64's Tops was 167d. and a variation of 10 per cent, that is over 1s. 4½d. per lb, is not considered out of the ordinary. None the less, these price variations in our raw material when evaluated over the company's necessarily large stocks of wool, tops and yarns represent latent risks which will always be liable to cause fluctuations in earnings and against which prudence dictates that some balancing reserves be made.

Looking at the group balance sheet it will be seen that apart from just under £2½ million in capital reserve the group's revenue reserves, including proposed appropriations total £5,819,070. This indicates the strength of the group but it should be borne in mind that all these reserves are entirely locked up in the working capital.

CONSOLIDATED BALANCE SHEET OF THE COMPANY AND ITS SUBSIDIARIES

Taking the group as a whole, net assets, after deducting the interest of outside stockholders, have risen from £14,080,059 to £15,316,797—an increase of £1,236,738. The net value of fixed assets has fallen over the year from £8,532,444 to £8,420,303 due chiefly to adjustments in depreciation already mentioned. Our expenditure on capital account now shows a welcome sign of steadying down to a normal level compared with that of recent years during which the Darlington factory, of which we are justly proud, has been constructed. You will observe that consequent upon the final analysis of expenditure at Darlington

certain expenditure originally classified as land and buildings has been transferred to the motive plant, plant and machinery category and this fact accounts for the changed figures compared with last year.

Total current assets at £15,419,318 show an increase compared with last year of £2,533,641, of which £2,392,636 is accounted for by the increase in value of stocks of raw materials and finished yarn. The weights of wool, tops and yarns held at stocktaking this year show, as would be expected in view of the increased business done, a substantial increase compared with last year.

Total current liabilities have increased from £3,322,776 to £3,772,724. Heavier raw wool purchases, necessitated by the upswing in trade, have resulted in greater use of temporary bank facilities and bank overdrafts show an increase of nearly £1 million compared with last year's figure. Current taxation liabilities are considerably lower than last year due to the incidence of the trading loss of 1951-52. The provision for bonus to employees and the increased ordinary dividend account for the balance of the increase in current liabilities compared with last year. Last year no provision for future taxation was necessary owing to the trading loss; this year, £715,239 has been provided to cover estimated income tax on the assessable profits of the year.

EXPORTS

During the year under review we have, in spite of import restrictions and financial limitations, been able to maintain a very satisfactory export turnover. I am happy to report that trading restrictions in many parts of the world are becoming easier. You may rest assured that no opportunity is being missed for increased turnover.

PERSONNEL

The successful recovery which the group has made in its trading since 1951-52 has been achieved by strenuous effort on the part of all our workers, management, productive and selling. Long hours have been worked at the factories in England and Scotland and to meet the demands of our customers we have reopened Rutland Mills, Wakefield, in order to increase production. The directors are glad to be able to resume the practice of awarding a bonus to employees and thus sharing revived prosperity with those who helped to make it possible.

PROSPECTS FOR THE FUTURE

Last year I expressed the hope that 1952-53 would see the commencement of a recovery in the wool textile trade. This has indeed taken place but much more rapidly than the most optimistic of us hoped a year ago. Indeed, during the year under review your company's sales of hand-knitting yarns in the home market have in weight been an all-time record. The demand, too, for manufacturing yarns has been great and your factories are booked to capacity for months to come.

Statistically, the raw wool market appears sound in that world stocks are very moderate. The production of wool in the primary markets compared with prewar has not increased to any great extent while the big rise in living standards throughout the world should certainly make for increased consumption. Furthermore, stocks of finished goods in traders' hands are in a healthier condition than for some years past. Against these bull factors must be set a possible sympathetic recession in price, probably temporary, should easing world tension result in a break in world commodity prices generally.

Since September last the price of wool has advanced some 25 per cent, necessitating a continual advance in selling prices. While

the immediate outlook is satisfactory, I must point out that the present level of the price of raw wool has not yet reached the public and any continued rise may result in a level beyond the public's capacity to pay, with a consequent restriction in demand.

These are, however, the hazards of trade and with our factories equipped as they are I am confident that unless circumstances beyond our control arise we have no room for pessimism.

DE WENDEL & CIE., S.A. (PARIS) (Iron and Steel)

INCREASED PRODUCTION AND TURNOVER

The annual general meeting of de Wendel & Cie., S.A., was held on June 24th in Paris, under the chairmanship of Count Emmanuel de Mitry.

Analysing de Wendel's position for the year 1952, within the wider framework of the activity of the French iron and steel industry, in which the company occupies a predominant place, thanks to its grouping of metallurgical and mining interests in the Fensch and Orne valleys in Lorraine, and its important participation in the new "Sollac" continuous strip mills, the chairman stated in his report: The year 1952 has been marked, for our company, as for the other iron and steel enterprises, by a progressive change in the trade position. On the French home market, the slowing down of demand, already noticeable during the first half of the year, became seriously aggravated during the second half, affecting all types of products, with the exception of heavy iron and steel sheets and railway permanent-way materials. On the export market, signs of weakness became apparent from the beginning of the year, but during the second half, and owing to the continued shrinkage of the French market, important quantities were sold abroad. In spite of the reverse in the trading position in 1952, the considerable volume of orders on the books of the French iron and steel industry allowed of a notable increase in output.

The de Wendel plants' production of steel, which was 1,326,000 tons in 1951, attained 1,483,000 tons in 1952. The company's turnover rose from Frs. 40,606 million in 1951 to Frs. 47,460 million in 1952.

PROGRESS OF MODERNISATION

After the completion of war-damage reconstruction, begun immediately after the liberation, a programme of new construction in the mines and plants was actively pushed ahead in 1952.

Investments in 1952 amounted to Frs. 5,187 million, and allowed, notably, of the modernisation of the Fensch Valley plants, the mechanisation of the iron mines, the erection of two powerful blast-furnaces to be completed during the first quarter of 1953, the construction of a new coking plant, and the installation of a continuous wire-rolling mill scheduled for completion in 1954, and, lastly, the development of a housing estate for the workers necessitated by the increase of industrial activity in Lorraine.

The balance sheet at December 31, 1952, totals Frs. 46,476,248,287, and profits, after deduction of Frs. 4,687,272,783 for amortisation, amount to Frs. 445,155,993 on the capital of Frs. 5,000 million, of which Frs. 1,300 million is unpaid. The net dividend, after deduction of taxes, has been fixed at Frs. 410 per old Frs. 5,000 share and Frs. 205 per new Frs. 5,000 share of which half is paid.

BRITISH SUGAR CORPORATION, LIMITED FIFTH HIGHEST CROP

The seventeenth annual ordinary general meeting of this corporation was held on July 21st in London, Sir Alan Saunders, OBB (the chairman), presiding.

The following is an extract from his circulated address for the year ended March 31, 1953:

The season under review produced the fifth highest crop in the history of the industry, both in regard to the tonnage of beet delivered and the average yield per acre. This is noteworthy, for the six heaviest crops to date have all been produced in the postwar period.

I pointed out last year that the season, favourable or otherwise, played a significant part in all farming operations and that for that reason it was not practicable to judge farming results on the basis of a single year. But it must be agreed, I think, that the sequence to which I have just referred is indicative of real progress.

The total tonnage of sugar beet received at the factories was 4,235,908 tons, compared with 4,533,512 tons in the previous season and a ten-year average of 4,064,324 tons. The average yield per acre was 10.73 tons, or half a ton more than the ten-year average of 10.12 tons.

The crop was grown by 39,568 growers on 394,728 acres, an average of practically ten acres per grower. This figure has only once been exceeded, in 1946-47, and then only by a small margin. This is an interesting point, for it suggests that, despite the ever-shrinking labour force on the land, sugar-beet growers are fully confident of their ability not merely to handle but to increase their acreage of sugar beet. This is certainly the result of the application of modern farming techniques.

These desirable results were attained in a season when favourable weather during the growing period allowed farmers to secure the maximum advantages of improved methods of cultivation now available to them, but the weather broke up rapidly almost as soon as lifting began and the 1952 harvesting period was one of the most difficult on record.

Productive efficiency remains at a high level and the installation of new plant is giving improved results. Our labour productivity was increased by 7 per cent; 329,737 tons of white sugar and 260,823 tons of raw were produced from the beet crop, a total of 590,560 tons, the third highest in the history of the corporation.

We are justly proud in our industry of the high quality of the sugar we produce, and factory staffs are to be congratulated upon the way in which they have maintained their very high standards in this respect.

Our production of sugar beet pulp, an attractive carbohydrate food for stock, was 278,082 tons. We also produced 184,060 tons of molasses.

Turning to the accounts, the actual results of the year have been satisfactory as, by improvement in our own efficiency helped to some extent by the processing of beets of a quality rather better than average, our share of economies under the new arrangement with Government, showed an increase of £156,000—over 20 per cent better than last year.

In addition, the system of price fixation controlled by Government has again produced a surplus in which the corporation has a share in the form of a provision against future deficiencies.

The report was adopted and a dividend of 4½ per cent was approved.

GOSSARD LIMITED

(Manufacturers and Distributors of Corsets, Brassieres, &c.)

CONTINUED INCREASE IN CORSETRY SALES

IMPROVED LIQUID POSITION

MR B. M. LINDSAY FYNN'S SPEECH

The eighteenth ordinary general meeting of Gossard Limited, will be held on July 30th at the Café Royal, Regent Street, London, W.

The following is the speech of the chairman (Mr B. M. Lindsay Fynn, FCA), which has been circulated with the report and accounts for the year ended December 31, 1952:

Last year was the sixth year in succession for which the corsetry sales of Gossard Limited, increased. I warned you a year ago that orders had fallen off badly in the early autumn of 1951 and that difficult conditions had continued into 1952. In fact, they continued until the summer, since when our factories have been under heavy pressure to deliver. Therefore, unlike 1951, when our factories worked at full production until the autumn and then orders fell off, in 1952 sales were difficult until the summer, since when our problem has been production. That is still the position at the present moment, and it is impossible to forecast just how long this condition will continue or when there will be another change as abrupt as the last.

INCREASED DEMAND FOR SILKSKIN AND TRU BALANCE

The demand for and production of Silk-skin continue to expand and Tru Balance, despite fabric problems, has come to be recognised as the finest corset in Britain for the woman who needs a little help. We believe that the increase in demand for these two products has still a long way to go.

During the year, we marketed three more corset developments—namely, Stridese, the Gossard Basque and the Cami-Bra. We have certain further developments which we hope to market as soon as our increasing production capacity permits. Your group factories are currently producing about six times as many foundation garments as in 1938-39.

At the end of 1951, on account of the decline in our sales, the group stocks were at a peak because production was only gradually being throttled back and the surplus over demand had gone into stock. During 1952 this surplus was successfully marketed and at the end of 1952 our finished stocks were very low. The release of funds tied up in stock had an immediate and material effect on our liquid position and you will see that at the end of 1952 we showed £60,060 cash at bankers, less £50,032 overdrafts, against £154,157 net overdrafts twelve months earlier. This was an improvement in total of £164,185.

SOUTH AFRICAN FACTORY

Changes in demand, similar to those in this country, were encountered by South African Gossard (Pty), Limited, with the result that while its turnover and profits for the year were still satisfactory they suffered a setback as compared with the wonderful results of the previous year. Since September, 1952, the position has again been rapidly improving in South Africa, and the problem has been to increase output. Production and sales and profits all reached record levels in

the first few months of 1953. As the South African factory is still comparatively young, and has been operating for only four years, the range of merchandise which it manufactures has been steadily widening. Last year, and again early this year, further ranges of new models (including Tru Balance)—not hitherto manufactured in South Africa—have been successfully introduced and have met with considerable success. I visited last autumn some fifty of our principal Rhodesian and South African customers, and was able to spend some weeks at our fine Cape Town factory discussing policy and products.

Our Swiss subsidiary continues to make headway, and has again increased its sales and profits. Immediate outlook is satisfactory.

OVERSEAS TRADE

Of our sales of foundation garments 30 per cent were export or overseas, and we estimate that one-third of the group profit was earned from such overseas trade.

Our children's outer-wear subsidiary, Harris and Parkin, Ltd., suffered from the heavy fall in the value of woollen piece-goods, and, as a result of stock depreciation, failed to make a profit. Its substantial dollar export trade again increased, and from orders so far received it appears that in 1953 this should be maintained. Our laundries made progress in a difficult year, sales of fully finished work in particular rising in recent months to the utmost limits of our capacity.

CONSOLIDATED ACCOUNTS

Turning to the group consolidated balance sheet, our current assets at £772,802 exceed our current liabilities at £291,189 by £481,613. We issued a further £50,000 Notes during the year at 84 and redeemed £6,500 at 81, a net increase of £43,500.

The consolidated profit and loss account

	1949	1950	1951	1952
	£	£	£	£
Issued ordinary capital	156,250	156,250	156,250	156,250
Trading profit (excluding minority interest)	97,503	179,089	197,101	153,419
Less:				
Depreciation	25,012	29,101	30,159	35,890
Unsecured note interest	6,797	6,698	8,775	10,602
Taxation	39,658	79,793	95,199	77,169
	71,467	115,592	134,133	123,661
Net profit available for dividends	26,035	63,497	62,968	29,758
Less:				
Preference dividend and redemption	5,950	5,862	5,640	5,578
	20,085	57,635	57,328	24,180
Percentage earned on Ord. shares	23.37	67.06	69.88	28.14
Percentage paid on Ord. shares	18.00	18.00	18.00	18.00

indicates that our trading profit declined by 25 per cent, but our net profit after deducting 25 per cent, but our net profit after deducting taxation (including a reserve of £8,000 for Excess Profits Levy) declined by 40 per cent.

Excess Profits Levy alone amounted to 5 per cent net on our ordinary capital.

We have recently completed negotiations for the acquisition of a majority interest in a German corsetry factory, and this, subject to the necessary consents of the British and German Governments, should enable us to enter successfully the important German market. We believe, as a result of the success already achieved by our exports to Germany, that there is a considerable future for our products there, and in particular for Silkskin and Tru Balance.

CALLS ON CASH RESOURCES

Although our group cash position is at present quite satisfactory, considerable calls are likely to be made on our resources over the next year or two. They include:

(1) At present we have virtually no finished stock and all orders are accepted for delivery in four to thirteen weeks according to model. We know that such a position cannot last and we must expect to have to carry at least a modicum of finished stock.

(2) We are steadily increasing our output capacity, and that involves finance for plant, machinery, raw materials and work in progress.

(3) We have certain new lines which we wish to launch at the earliest opportunity.

(4) Our German development, which we estimate may require £35,000 over the next year or 18 months.

The sales and profits of the group for the first four or five months of 1953 have been excellent and your directors hope, therefore, to be able in a year's time to present satisfactory results.

TABLE OF PROFITS

Last year I set out a table of our profits since 1948. Here it is brought up to date.

I cannot close without thanking my colleagues for their good work during the year and asking you to join with me in appreciation of the efforts of our executives and staff.

ALLIED IRONFOUNDERS LIMITED

CHANGED COMPLEXION OF TRADING

The twenty-fourth annual general meeting of Allied Ironfounders Limited, was held on July 23rd in London, Mr James Shaw (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The group trading profit amounted to £1,484,338 (last year £2,077,989), and net profits before tax £1,364,495 (last year £1,801,377). Taxation absorbs £731,523 (last year £1,078,618), leaving available for reserves and dividends £632,972 (last year £722,759).

Your directors have placed £250,000 to the reserve for replacement of fixed assets. The dividends for the year require £267,505, leaving the balance of the year's profits, £115,467, to be added to the carry forward, which now becomes £668,569. Our capital and revenue reserves, including profit and loss balance, now exceed £6,800,000. Our current assets total nearly £5,600,000 against current liabilities of £1,105,856 and income tax due on January 1st next amounting to £614,642. Our financial position, which was already a strong one, has thus been further fortified during the year.

REVIEW OF THE YEAR

In my statement to you last year, and also in the notice announcing the interim dividend, I referred to the less favourable outlook our market was assuming. In the home trade materials and labour became more freely available, increased production made good depleted merchant stocks and orders declined to lower—and no doubt reflected more normal—trading levels. Restrictions on important export markets were reimposed and made a sudden gap in the production programme of some of our most efficient plants.

While good progress has been made in additions and improvements to plant, such increased efficiency could not wholly compensate for the recession in trade. Selling prices tended to decline, and we absorbed increases in wages and materials in sympathy with the national policy to check the upward trend of consumer prices.

I can assure you that this change in the complexion of our trading was not wholly unexpected, and much has been achieved in the course of the year in the efficient employment of all the assets of your company, promising steady progress in line with its past records.

After a brief review of the company's sectional activities, including rainwater and soil goods, baths, cooking and heating appliances, heavy cooking equipment and agricultural products, the statement continues:

Export: The problem of world markets is one to which we have given special attention in the course of the year. Officials of the company have visited many countries and secured useful business in dollar countries. We have established responsible contacts in other parts of the world which still hold promise as a market for our products.

As our interests are closely bound up with the homes of the people and the housing policy of the Government, we associate ourselves with any movement which suggests a change or development in the form of our products or which promises to open up fresh fields of demand. In this connection we have initiated what is now known as the "Stockton Test," which we suggest may make a useful contribution towards easing, if not solving, the national housing problem.

I am happy to say that the recession last year, which I have perhaps unduly stressed,

did not persist, and there was an improvement in the later months. This has been maintained in the first quarter of the present trading year, and apart from any unforeseen circumstances, we expect the resources of the company to be fully and profitably employed.

The report was adopted.

GOPENG CONSOLIDATED

MR DONALD W. THOMAS'S REVIEW

The fortieth annual general meeting of Gopeng Consolidated, Limited, was held on July 15th at the registered office, Redruth.

Mr Donald W. Thomas (chairman) presided.

The reports and accounts for the year ended September 30, 1952, having been circulated for the prescribed time, were taken as read, as was also the chairman's statement circulated with the reports and accounts, which was as follows:

Stockholders will note from a perusal of the directors' report that there have been changes in the directorate during the year under review and since. I must add a personal word of appreciation of the services rendered to this company by the late Mr Harry Rich with whom I had been associated on this board and in other spheres for many years—we do indeed miss his valuable contribution to our deliberations over the affairs of this company. In his place we welcome Major W. E. Hosking of whose worth we have had experience on the boards of other companies of this group.

I must also refer to the retirement of Mr Stanley Wickett from the chairmanship of the board. I greatly appreciate the honour my co-directors have done me in electing me to fill his place and am thankful that I shall have the benefit of his long experience and sound judgment to assist me in discharging the duties of my new office.

The gross profit for the year under review is £408,328 which is £66,577 less than the previous year.

NO RELIEF IN TAXATION

There was no relief in taxation during the year and it will be observed that British and Malayan taxation amounted to £258,808, in addition to which government royalty on ore sales was £92,367, a total of £351,175 to be provided before distribution of profits could be considered.

Some little relief will be given in the current year owing to the reduction in the standard rate of British income tax but the additional relief given by the abolition of excess profits levy will not be felt until the succeeding year.

Four dividends totalling £103,889 (net) were paid; general reserve has been increased, and the balance remaining on profit and loss appropriation account has been slightly increased to £52,779, which the directors propose to carry forward.

Since the close of the financial year under review the outputs of tin ore were:

October-December, 1952

3,130 piculs = 186½ tons.

January-March, 1953

2,520 piculs = 150 tons.

We are glad to be able to report that an award has been made for rehabilitation expenses of the mine and it is hoped shortly that awards will be made for the rubber estates in which this company has an interest. In any event considerably over £50,000 of expenditure on rehabilitation will have to be borne by the company.

We hope that next year's accounts will be the last in which these various entries will appear.

The attention of stockholders is drawn to the report of the general managers, Messrs Osborne and Chappel, particularly the comparative table of results of mining during the year.

The profit from Moynalpy and Sanglop Rubber Estates was about only one-fifth of that of the previous year, due to a substantial fall in the price of the commodity.

BETTER POSITION IN MALAYA

The 'security position in Malaya is certainly better than when the last report was issued but stockholders will remember that Sir Gerald Templer, the High Commissioner, not long since warned us against complacency either here or in Malaya.

Despite frequent reports to the contrary, I wish to draw particular attention to the amount of health and welfare services provided by this company and many others in the Colonies by private enterprise. Large sums are expended annually under such headings as Asian staff provident fund, insurance of Asian staff, pensioners, medical, security measures, and emergency regrouping.

We fully appreciate the loyal service of our general managers, their staff at the mine, and on the estates, and admire the courageous and efficient manner in which they carry out their duties in face of the dangers and difficulties they have to meet. We are happy again to have voted substantial special gratuities to them and we feel sure that the stockholders will heartily endorse this action.

The statement of accounts and balance sheet, together with the directors' report, were received and adopted.

THE TRUSTEES CORPORATION, LIMITED

The sixty-fifth annual general meeting of The Trustees Corporation, Limited, was held on July 22nd in London.

Mr L. A. Stride, the chairman, in the course of his speech, said:

The forecast I made last year that the revenue for the following year would remain buoyant has proved correct, and once again we are able to produce satisfactory results.

Our total revenue for the year at £438,534 shows an increase of £20,272 over last year.

There are signs already of increasing competition from Germany and Japan which industry in this country will have to meet, and it is indeed unfortunate that the trade unions should choose this time for putting forward claims for increased wages without at the same time promising any increase in productivity. It is to be hoped that sane counsels will prevail in these wage deliberations as increased costs may price us out of world markets, and this can only lead to a lowering of the standard of living in this country.

We recommend a final dividend of 13 per cent with a bonus of 2 per cent, both less income tax, on the ordinary stock (making a total of 22 per cent for the year) which takes £72,188.

If, as I earnestly hope, there is an improvement in international relations, I would expect a return of confidence and a resultant increase in world trade.

All in all, I find it extremely difficult to forecast what lies ahead during the coming year, but I hope that the results will not prove unsatisfactory.

The report was adopted.

THE BRITISH BANK OF THE MIDDLE EAST

BUSINESS WELL MAINTAINED

The sixty-fourth ordinary general meeting of The British Bank of the Middle East was held on July 21st in London, Mr R. V. Buxton, DSO, chairman, presiding.

The following are extracts from his statement:

Our financial year ended this year on March 31st instead of the customary March 20th. The reason for the selection of the latter date had been that it coincided with the end of the Persian financial year. Now that we have ceased business in Iran, it seemed more suitable to make the end of the bank's financial year coincide with the end of the month according to the Gregorian calendar.

At another meeting to follow this, you will be asked to approve certain changes in the capital structure of the bank to conform to the conditions of today. It has been a pleasure for your board to recommend that the final dividend be increased to 7 per cent, making 10 per cent per annum for the year instead of the 9 per cent which you have received for so many years.

STRONG POSITION

Our accounts continue to show a strong position. Cash and money at call at £17 million compare with £29 million a year ago, but investments, almost wholly in dated British Government securities, £10,700,000 compare with £6 million the previous year. Our deposits at £35 million show a decline on the figure of £45 million, but you will recall that in the chairman's statement last year, he forecast that the disappearance of our Iranian accounts would cause some reductions under this heading and this is what has come to pass, although other fortuitous circumstances not related to Iranian business, account for part of the reduction also.

Bills discounted, loans and advances at £9,900,000 show an increase of £700,000, and credits and guarantees on behalf of customers at £8,500,000, an increase of £1,200,000, both a sign that our volume of business is being well maintained. Fixed assets at £100,000 remain unchanged. The winding up of our business in Iran has continued throughout the year, and we now maintain only a few members of our Iranian staff in Teheran to conclude our affairs. All our properties in Iran have been sold.

DIFFICULT TRADING CONDITIONS

The headquarters of the overseas management of the bank, together with the chief inspector and his staff, have been transferred to London from Teheran where they were formerly stationed, and this change has now been in force for the past year. Modern facilities for travel by air make control from London, the head office of the bank, not only practicable, but even more efficient than control from a centre overseas. All our 19 branches can be reached within 24 hours' travel from London, most of them within half that time.

Trading conditions in all areas where we operate were more difficult last year than in the previous year. Markets in most commodities were falling and had the Middle East as a whole not been in receipt of increasing revenues from oil to offset the fall in prices of most agricultural products, the result might have been less satisfactory.

You will have observed that, for the first time since the bank was founded in 1889, Iran has not been mentioned. We withdrew the last member of our British staff in

December last. It is a matter of regret to us that our long period of co-operation in the development of that country should have come to an end.

CAPITAL REORGANISATION

At a subsequent extraordinary general meeting resolutions were unanimously passed to the effect that the consent of HM Treasury having been received, the reserve liability attached to the existing shares be cancelled, any future issues to be free of reserve liability. Furthermore, it was decided that the existing fully paid £10 shares be divided into ten shares of £1 each fully paid. By capitalisation of reserves 500,000 new shares of £1 each fully paid were created for distribution to shareholders in the ratio of five new £1 shares for each £10 share held on July 20, 1953, the capital of the bank thus being raised to £1,500,000.

The proceedings terminated with a vote of thanks to the chairman, directors and staff at home and abroad.

The report and accounts were adopted.

F. H. LLOYD & CO.

SATISFACTORY PROGRESS

DENATIONALISATION OF IRON AND STEEL

MR F. N. LLOYD'S VIEWS

The sixty-sixth annual general meeting of F. H. Lloyd & Company, Limited, was held on July 17th at the registered office of the company, James Bridge Steel Works, near Wednesbury, Mr F. N. Lloyd, chairman and managing director, presiding.

The secretary (Mr E. Allison) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended March 31, 1953:

Ladies and gentlemen,—Although a lower net profit is shown by these accounts, I think that, on the whole, we can report that the company has made satisfactory progress.

After providing for depreciation, £104,504, and taxation, £541,469, the net profit for the year, as shown in the consolidated profit and loss account, is £260,489, to which is added £3,270 adjustments relating to the previous year. An appropriation of £25,000 has been made as a provision for doubtful debts on debtors now totalling over £1 million.

ALLOCATIONS

During the year, interim dividends were paid of 2½ per cent, less tax, on the 5 per cent cumulative preference shares and 5 per cent, less tax, on the ordinary shares. We are now recommending an increase in the fixed assets replacement reserve of £74,500, making the total reserve £400,000 and an allocation of £67,000 to general reserve, which will then stand at £550,000.

We also recommend the payment of final dividends on the share capital of 2½ per cent, less tax, on the cumulative preference shares, and 12½ per cent, less tax, on the ordinary shares, which, in total, will absorb £44,825. The balance on the consolidated appropriation account to be carried forward to next year is increased to £98,730, compared with £65,851.

LARGER OUTPUT AND PROFIT

The increase in our trading profit from £717,318 to £803,127 is a result of an increased volume of output, as selling prices

have remained constant, in spite of increases in labour and material costs outside our control. Unfortunately, by the end of the year, the cumulative effect of these increases was so great as to make an adjustment in selling prices essential.

That we had, until then, been able to stabilise our prices without detrimental effects on trading profits has been due to the beneficial effect of the improvements to our plant effected in recent years. Unfortunately, this year we have felt for the first time the full effect of the excess profits levy, which has more than nullified our achievement.

The amount of tax which your company has to pay on its earnings this year makes it virtually impossible to retain sufficient profit to finance essential development and pay a reasonable dividend to shareholders. Your board therefore decided to raise additional capital, and the issue of new ordinary shares was successfully completed after the end of the financial year.

PLANT MODERNISATION

Continued expenditure on plant modernisation must be incurred if we are to make our contribution to the increase in production of engineering goods, which is rightly demanded of industry by the present Government.

We have had to effect considerable reorganisation of production programmes, owing to modifications to defence requirements, and difficulties of firms supplying export markets which use our products. It is a measure of the flexibility of our organisation that it has, to a large extent, managed to take these changes in its stride. Moreover, we serve such a wide variety of trades that, so far, we have been able to keep our plant working at full capacity. The policy of diversifying our production has enabled us to maintain a stable level of operation, which is so essential for efficiency, and we can be thankful that we have been able to avoid excessive specialisation, with its accompanying dangers of erratic fluctuations in demand.

DENATIONALISATION DANGERS

You will doubtless have noticed that the Government, in bringing in its legislation for the denationalisation of the iron and steel industry, has also brought the iron and steel foundries under the general supervision of the board which it has set up to control and supervise the denationalised industry. While no reasonable person would wish to quarrel with the general objectives and principles with which the board is charged, there nevertheless remains a danger that we, along with other firms in the steel foundry industry, may begin to suffer some of the evils of centralised control, as a result of the general responsibility for the supervision of our industry with which the Iron and Steel Board is charged. We believe that, with good will on all sides, these dangers can be avoided, and your company certainly intends to do its best to see that the Government's bold attempt to enlist the full co-operation of all parties meets with the success which it undoubtedly deserves.

Before concluding, I must, once more, record a tribute to the work done by all our employees, who have continued to do everything in their power to further the company's progress, and would like particularly to mention those who work long hours to keep essential processes operating day and night throughout the year.

The report and accounts were adopted; the proposed dividends were approved; the retiring director, Mr H. P. R. Scott, was re-elected, and the directors having been authorised to fix the remuneration of the auditors, Messrs Agar Bates Neal and Company, the proceedings terminated.

THE BRITISH EMPIRE TRUST COMPANY

(Trustees, Registrars, Secretaries,
Transfer Agents, Industrial Financing)

LARGER PROFIT

The fifty-first annual general meeting of The British Empire Trust Company Limited, was held on July 20th in London, Mr E. Ronald Crammond, the chairman, presiding.

The chairman, in the course of his speech, said: The market or estimated value of the investments held by the group at April 30, 1953, namely, £1,877,426, exceeded their book value by £255,693. This shows some improvement on the appreciation of £220,860 at the close of the previous year and may be considered satisfactory, bearing in mind that during the year net profits of £19,801 were also realised on investments sold.

A NEW CANADIAN COMPANY

We intend to form an associated company in Canada. For many years, prior to his death in 1947, Mr A. J. Mitchell, a director of your company, represented us through his company in Toronto as agent. Owing to the virtual impossibility of expanding financing business in Canada at that time, the appointment of another resident representative did not seem justified.

The very welcome progressive easing of restrictions under the present Government enables us to take a much more hopeful view of doing an increasing business in Canada, and we accordingly made an application to the Bank of England—which they recently granted, authorising us to convert our funds up to the extent of \$1 million (Canadian) for the purpose of forming an associated company in Canada. This matter is being pursued and a further announcement will be made.

The profit and loss account shows an increase in every item of revenue and some increase in expenses. The amount received under double taxation relief during the year has been shown as an addition to our income from investments. This procedure has been adopted to include our income from investments abroad on the same basis as income from the United Kingdom, which is shown before deduction of United Kingdom taxation.

The net profit for the year, after expenses but before taxation, amounted to £138,316, being £33,183 more than the corresponding figure for the previous year.

Your directors recommend that the available sum, after deducting the dividend on the 5 per cent Preference stock, should be appropriated in transferring £7,500 to provision for staff pensions and paying dividends at the rate of 12 per cent on the Employees' stock, 9 per cent on the Preferred Ordinary stock and 13.05 per cent on the Deferred Ordinary stock.

SERVICE TO PUBLIC COMPANIES

We recently had the pleasure of acting as agents for the Crown Zellerbach Corporation in making a share exchange offer to the United Kingdom shareholders of the Canadian Western Lumber Company, Limited. A very satisfactory response was secured; the offer has been consummated and we look forward to an extension of our relations with the Crown Zellerbach Corporation as transfer agents in London.

We are making every effort to extend our activities as transfer agents and also in undertaking other useful services in London for Canadian companies. I am sure that we

can perform a valuable function for such Canadian companies who are not already represented here.

I would like to remind you as stockholders of the Trust that we are in business to serve you and your friends in every way, especially in carrying out any of our special services which are shown at the head of the print of my remarks. I would particularly ask those who are directors of public companies to consider carefully the advantages of entrusting their share registers and transfer work to us as professional registrars. We have the facilities and long experience for carrying out this work.

The first year of the second half-century of the Trust has ended with satisfactory results and, while we naturally hope to improve on this as time goes on, it must not be forgotten that the world is beset at the present time with many political uncertainties. The development of a new Canadian organisation cannot be expected to produce immediate results. However, in spite of these factors I hope that we shall be able to put before you a satisfactory report in respect of the year to April 30, 1954.

The report and accounts were adopted.

HENRY HOPE AND SONS, LIMITED

INCREASED DIVIDEND

The fifty-fifth annual general meeting of Henry Hope and Sons, Limited, was held on July 22nd at Smethwick, Mr Michael Hope, chairman and joint managing director, presiding.

The following are extracts from his statement circulated with the report and accounts for the year to March 28, 1953, after he had paid a tribute to the late chairman, Mr H. Donald Hope.

Revaluation.—The fixed assets of the parent company are now shown in our balance sheet at the 1951 valuation, less depreciation.

Dividend Policy.—We believe that the interests of the ordinary shareholders are better served by putting back a generous proportion of the profits into fixed assets than by lavish dividends and bonuses. At the same time we realise that the value of money is far less now than it was before the war.

Wages and salaries are about two and a half times what they were in 1938, while our principal raw material—rolled steel—is over three times. The selling price of standard metal windows is still barely twice the prewar price, while our shareholders have had to be content with the same old 10 per cent dividend, or when prospects seemed a little brighter, an increase of a quarter, making 12½ per cent in all. This year your directors feel justified in recommending a dividend of 17½ per cent and a special Coronation year bonus of 5 per cent on the ordinary stock. This represents only 1.06 per cent on the total capital employed in your business.

Hot-Dip Galvanised Windows.—We have maintained the policy of galvanising the whole of our steel window output, and we believe that this has contributed to strengthen the position of your company in the trade.

Export.—We continue to cultivate the export trade in all parts of the world. Your principal subsidiary in the United States—Hope's Windows Inc.—has had another successful year and has contributed a substantial proportion of the net profits by its dividend which, of course, is paid in dollars.

Hope's Heating and Engineering Limited.—Hope's Heating and Engineering have also had a satisfactory year.

The report and accounts were adopted.

ARTHUR BALFOUR AND COMPANY

LORD RIVERDALE ON TRADING CONDITIONS

The fifty-fourth annual general meeting of Arthur Balfour and Company, Limited, was held on July 15th in Sheffield, The Hon Robert Arthur Balfour, JP (managing director), presiding in the absence, owing to indisposition, of the chairman, The Rt Hon The Lord Riverdale of Sheffield, GBE, LLD.

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

There is a marked difference in the figures presented this year compared with those of the record year 1951. That year, you will recollect, was exceptional, not only in the high level of trading actually reached but also in the fact that substantial windfall profits were earned due to the rise in prices. We are now returning to more normal conditions and while there has been a severe reduction on the previous year, the profits of the group, before taxation, of £436,536, cannot be considered as unsatisfactory.

A fall in values of alloys in particular was accompanied by some slackening of demand in this country, quite apart from many difficulties in export trade, due to currency regulations and import restrictions in overseas markets.

I referred last year to the burden which it was anticipated would be placed upon the company's resources by the level of taxation. In the overall result over 50 per cent of our net profit is absorbed by taxes.

The cash position having improved recently, the board, after careful consideration, feel justified in spite of the fall in profits, in recommending the same total distribution as last year, namely 20 per cent, made up as follows: interim dividend 6 per cent (already paid); final dividend 10 per cent; bonus dividend 4 per cent. We propose to place to general reserve the sum of £75,000 and £50,000 to stock and contingencies reserve. The carry forward then becomes £140,722, which compares with £137,613 in 1951.

The main subsidiary company at home has contributed satisfactorily at a higher rate than last year. Subsidiary companies overseas, feeling the effect of restrictions and more difficult trading conditions, have earned considerably less profit than in the previous year.

I cannot stress too highly the serious consequences to our earning power and our competitive position in the world's markets if the new and substantial wage claims recently advanced were to become effective.

CURRENT YEAR

Turning now to the current year: in the early months some departments were producing well under capacity, and this has continued to some extent. The present general level of activity is considered reasonably satisfactory in the circumstances. Improvements have been felt in some sections recently.

There have been encouraging results and a useful contribution from energetic exploration of other markets and some of the restrictions on exports have eased.

Looking forward, it must be appreciated that competition is becoming tougher both at home and overseas. We do, however, hope for more stability in the price of raw materials and an improvement in the general level of activity: with this there is quiet confidence that not only shall we obtain our share of available trade, but that we shall be able to maintain a scale of performance which can show a satisfactory result.

The report and accounts were adopted.

SALTS (SALTAIRE) LIMITED (Worsted Spinners and Manufacturers)

CENTENARY DISTRIBUTION OF CAPITAL PROFIT

The thirtieth annual general meeting of Salts (Saltaire) Limited, was held on July 22nd, at the registered office of the company, Saltaire, Yorkshire.

Sir Frank B. Sanderson, Bart (the chairman), in the course of his speech said: This year we meet in very happy and quite exceptional circumstances, for the Coronation of our gracious Queen Elizabeth II has taken place during the year of our centenary.

The accounts show that the year under review has seen a welcome recovery from the conditions prevailing at March 31, 1952, when wool values and machinery activities throughout the industry were at their lowest level.

TRADING RESULTS

Profit on trading of the group, after charging depreciation of fixed assets £84,753, auditors' remuneration £2,315 and completing forward purchase contracts outstanding at March 31, 1952, amounts to £756,697 compared with £422,676 for the previous year.

The net profit is £340,889, and the board recommend a final dividend of 3½ per cent on the 7 per cent non-cumulative preference shares, which will make 7 per cent for the year, a dividend on the preferred ordinary shares of 1s. 3d. per share, and a dividend on the ordinary shares of 6d. per share.

Deducting the appropriations and dividends from the profit available for distribution, there remains a balance of £231,496, which it is proposed to carry forward.

At March 31, 1952, there was a surplus on disposal of fixed assets amounting to £17,738, which has been increased during the year by £44,961, making a total of £62,699.

I have already made reference to the fact that 1953 is the hundredth anniversary of Saltaire, and the board recommends a centenary distribution of capital profit for the year to March 31, 1953, of 2d. per share on the preferred ordinary shares and 2d. per share on the ordinary shares, which is equivalent to 16½ per cent. This distribution amounts to £58,333 and leaves a surplus on disposal of fixed assets at March 31, 1953, of £4,366.

It is gratifying to note a growing appreciation of the heavy burden of taxation which industry is called upon to bear, which has serious financial reactions not always immediately apparent.

The steps taken by the Government should be regarded as only a beginning—there is a considerable leeway, in the reduction of taxation, to be made up, and it is hoped that successive Budgets will lighten what is an intolerable burden.

The board are fully aware of the urgent necessity for the expansion of our country's exports and the vital contribution this industry must make. Your directors and senior executives personally visit many of our overseas markets and notwithstanding the restrictions which apply in many foreign countries our efforts have resulted in a gratifying increase in our export trade.

FUTURE PROSPECTS

Since June of last year there has been a marked improvement in the demand for our goods, and this improvement has continued, enabling a return to normal running of our machinery. The flow of orders continues which I am happy to state will ensure continuity of production for many months.

The report and accounts were adopted.

WALKER CAIN LIMITED A SUCCESSFUL YEAR'S TRADING

The thirty-first ordinary annual general meeting of Walker Cain Limited was held on July 16th in London.

The Rt Hon Lord Brocket (the chairman), in the course of his speech, said: It is again gratifying for your board to be in a position to submit accounts which I am sure you will consider very satisfactory. They reflect a year of successful trading during which time our output has been well maintained. The increased cost of malt which I mentioned last year was operative for the greater part of the year covered by the accounts. Moreover, the latter part of our financial year was slightly less propitious by reason of a mild recession which, quite naturally, followed the general trend of industry in the areas we cover. It is, however, encouraging to note that a more optimistic feeling now prevails in the textile trade as a whole and I am hoping that the energetic steps being taken by those engaged in this important Lancashire industry will help to restore its share of the world's markets.

Our net profit at £563,534 shows an increase of £25,503, and we have an available balance of £1,132,750. After payment of dividends and allocation to reserves the balance forward to next year is £562,870. We have a very strong financial position with net current assets of upwards of £3,500,000 and when suitable opportunities occur we shall use these funds to extend our field of operations. Your directors recommend a final dividend of 15 per cent, which with the interim of 5 per cent, gives a total of 20 per cent for the year.

The report was adopted.

HENDERSON'S TRANSVAAL ESTATES

The forty-first annual general meeting of Henderson's Transvaal Estates, Limited, was held on July 15th in London.

Sir Joseph Ball, KBE (chairman and managing director), presided and, in the course of his speech, said: With the net profit, after taxation, up by some £2,000 at £46,704, your directors recommend, for the seventh successive year, the payment of a dividend at the rate of 15 per cent, which leaves the carry forward at £57,246.

The company's South African coal interests are held through its subsidiary—Tweefontein United Collieries Limited. The accounts of that company show a profit on coal amounting to £168,000, as compared with £129,000. This substantial increase in profit was attributable partly to increased sales arising from improved transport facilities during the latter half of 1952, and partly to an increase in the inland price of coal which became effective as from June 27, 1952. While the total net profit for the year, before taxation, was up by some £42,000, a substantial proportion of this increased revenue was absorbed by increased taxation. Dividends on the ordinary shares for the year amounted to 10 per cent, as compared with 15 per cent, the reduction in dividend being considered desirable for the purpose of conserving the company's cash resources in order to provide the necessary finance for the development of the reserves now being undertaken.

White's South African Portland Cement Company Limited enjoyed another successful year. We have every reason to be satisfied with our substantial holding of its shares.

The report was adopted.

TELEPHONE MANUFACTURING COMPANY

The twenty-third annual general meeting of Telephone Manufacturing Company Limited was held on July 20th in London, Mr Fred. T. Jackson, OBE, Comptree (chairman and managing director), presiding.

The following are extracts from his circulated statement:

Turnover for 1952 reached a high level, although the proportion represented by direct exports dropped to 26 per cent from 31 per cent for 1951.

We are maintaining our efforts in the export markets and we hope it will now not be long before the Australian Post Office will be free to place orders in this country again. We find shortage of currency and fierce competition by foreign manufacturers our greatest difficulties overseas.

Our Canadian branch is making progress and has been invited by the Canadian Department of Defence Production to tender on two projects of some magnitude.

The continued restrictions imposed by the Treasury on the expansion of the telephone service in this country is causing us increasing concern. As competition in the export markets becomes keener, so it becomes even more important that the activities of the industry overseas should be soundly based on a satisfactory home market.

As to the prospects for the current year, output should be maintained at its present high level for the greater part of the year, but I should like to see more orders for delivery during the last three months.

The report was adopted and the dividend of 10 per cent was approved.

WILLIAM HANCOCK AND COMPANY

The sixty-sixth annual general meeting of William Hancock and Company Limited was held on July 23rd in Cardiff, Col J. Gerald Gaskell, CB, TD, DL (chairman and managing director), presiding.

The following is an extract from his circulated statement: The net profit for this year has increased from last year's figure of £79,774 to £87,799, and the directors recommend an increase in the dividend of 1 per cent up to a figure of 15 per cent.

The improvement in profit has been derived from all departments. Sales of beer for the year show a slight increase over the previous year and this can be considered satisfactory in the light of competition as the previous year also showed an increase over the year before. For the year in question there was a considerable increase in the cost of malt and that has affected the accounts for most of the period. The wine and spirit department and mineral water department each show a satisfactory increase, the latter you may think of particular importance in the light of the trend amongst some of the larger brewery companies to encourage the sale of non-alcoholic American and Canadian drinks. Our company fortunately has been interested in the mineral water side of our business for a very long time and we can say now that that department is firmly established. I think that the increase in the trading profit from £314,000 to £329,404 can be regarded as satisfactory.

During the postwar years we have spent large sums on improvements to licensed premises to bring them up to modern requirements. I think our licensed houses set a very high standard.

The report was adopted.

LONSDALE INVESTMENT TRUST

DIVIDEND RAISED TO 11 PER CENT

The sixth annual general meeting of the Lonsdale Investment Trust, Limited, was held on July 22nd at 22, Old Broad Street, London, E.C.4., Mr T. L. McC. Lonsdale, chairman of the company, presiding.

The following is the chairman's statement circulated with the report and accounts for the year to February 28, 1953:

The revenue received by the Trust from its general investments in its first year, five years ago, was sufficient, after deduction of all management expenses and of the preference dividend on the present basis, to pay slightly under 6 per cent on the ordinary stock. Since then the comparable income from the Trust's general investment has substantially increased and in the year now under review was sufficient to pay slightly over 8 per cent on the ordinary stock.

The balance required to meet the proposed ordinary dividend has been obtained from the dividend payable to the Trust by its wholly-owned subsidiary, Robert Benson, Lonsdale & Company, Limited. Five years ago the combined net earnings after tax of the Trust and Robert Benson, Lonsdale & Company, Limited, applicable to the ordinary stock, were £80,450. Last year the equivalent earnings of the group were £132,624.

ACCUMULATED REVENUE

Since the amalgamation with Robert Benson, Lonsdale & Company, Limited, in 1947, the undistributed revenue of the Trust has accumulated to £85,225, while revenue retained in Robert Benson, Lonsdale & Company, Limited, during the same period amounted to £157,885.

In view of the more variable nature of the business of Robert Benson, Lonsdale & Company, Limited, the dividend from that company has, since 1947, been restricted to 7½ per cent in order to strengthen its reserves. As a result of this conservative policy, the board of that company have now felt justified in increasing the dividend to 10 per cent and the Trust's net revenue available for the ordinary stock is therefore some £12,700 larger at £94,523. In view of this, your directors have recommended an increase in the final dividend of 1 per cent, making a total of 11 per cent for the year, taking £69,615.

Turning to the balance sheet of the Trust, we have been advised that as the result of a recent legal decision, the capital reserves of the Trust should be divided by the transfer to a share premium account of part of the premium which arose on the issue of

shares in 1947. This amounted to £677,353, and the transfer has been given effect to in the balance sheet. Certain subsequent deductions from the accounts as set up are stated in full on this occasion so as to regularise the position with a record in detail.

A CANADIAN COMPANY FORMED

In the current year the activities of Robert Benson, Lonsdale & Company, Limited, have been well maintained. In March an opportunity arose of re-establishing the close financial relationship with Canada which the company had enjoyed for many years before the war. Permission was obtained from the Treasury to sponsor the formation of a company whose object is to take part in the medium and long-term development of Canada both in connection with established Canadian companies and with established companies in this country who may require finance with a view to opening up in Canada.

The company, United North Atlantic Securities, Limited, has an issued share capital of \$2,500,000, of which \$1 million was subscribed by ourselves. Messrs N. M. Rothschild & Sons, Limited, and a number of investment trust companies, most of the balance being subscribed by Canadian and American friends.

Your directors feel that the connection we have re-established is a valuable one as Canada is undoubtedly a country of immense resources and one which should have an assured future.

The report and accounts were unanimously adopted.

DENNISTOWN RUBBER ESTATES, LIMITED

MR J. L. MILNE'S REVIEW

The twentieth annual general meeting of Dennistown Rubber Estates, Limited, was held on July 14th in London, Mr J. L. Milne (the chairman) presiding.

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

The average Spot London Price for first quality sheet rubber last year was just over 2s. 4½d. per lb, whereas in the previous twelve months it was almost 4s. 3d. per lb. This fall seriously affected our sale proceeds and was mainly responsible for the reduction in our profit, before taxation, from £130,470 to £43,457.

Taxation required an allocation of £26,750 and out of the sum remaining a dividend of 10 per cent was paid on May 7th last. No further payment will be made in respect of

the year ended December 31, 1952.

The sum of £1,777, being a part of the amount paid to the Malayan Government as replanting cess, has been refunded and credited to replanting account. This account now stands at £30,374. Much of this sum will be required to bring our replanted and new planted areas to maturity.

Crops have been very disappointing, particularly on Kim Seng Estate. As from the beginning of 1953 a lighter system of tapping has been introduced and this, in time, should have beneficial results.

Estimates for 1953 have been compiled on the assumption that some 1,390,000 lb will be harvested. The crop obtained for the five months to May amounts to 450,000 lb.

The report and accounts were adopted.

ELLAMS DUPLICATOR

The annual general meeting of this company was held on July 16th in London, Mr Frederick Ellam, chairman, presiding.

The following is an extract from his circulated statement:

The report and accounts for the year ending December 31, 1952, show a sharp fall in profit. The causes are those which your board foresaw at that time, namely, the difficulties in exporting to our important overseas markets, a general falling off in trade, and a fall in the cost of raw materials.

As far as import restrictions are concerned there has been little your board could do, but in the markets available the most strenuous efforts of the sales organisation have succeeded to some extent in softening the blow. With regard to the fall in the cost of raw materials, here we have suffered a very considerable depreciation in the value of materials in stock and on order.

Last year the general and stock reserves were increased by £25,000 each, and in spite of the difficulties it has not been necessary to encroach upon these reserves, it has been considered advisable to increase both whilst maintaining the dividend.

In the opinion of your board the year ended 1951 was an exceptional trading period, and the results for 1950 are really more indicative of the steady expansion that is their aim, and the endeavour during the current year is directed to equalling or exceeding those figures, but whether this target will be reached it is not possible to forecast at the present time, for although there are slight signs of improvement, trading conditions are still very difficult.

The report was adopted and the proposed final dividend of 2½d. net per share on the ordinary shares, making 4d. per share (33½ per cent) for the year, was approved.

AUSTRALIA AND NEW ZEALAND

Improved business prospects—
get there first in
a Pan American Clipper!



With the prospect of improved trading with Australia and New Zealand, now is the time to get out there quickly to present your proposition.

Your time is valuable—so you'll be interested in Pan American's 3½-day 'clipper' service—the fastest there is.

You fly via the U.S.A. This PAA way there are fewer documentation and health requirements, and there are liberal stopover facilities. So if you also have business in an American city en route, kill two birds with one stone. Or, if you can spare the time, spend a day or two beside the surf on a Pacific Island!

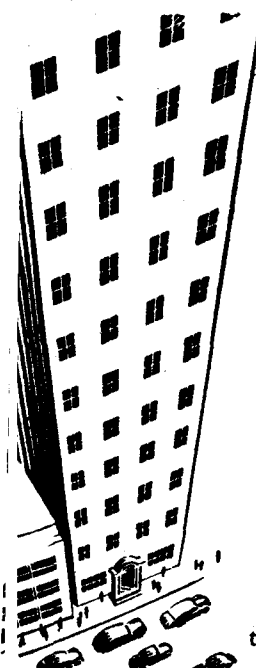
Meals, cigarettes and bar service are complimentary on Pan American first-class flights. Berths and Sleepette* service with fully reclining seats are available over the Atlantic, free over the Pacific. Services to both Australia and New Zealand.

Consult your Travel Agent, or Pan American, 193/4 Piccadilly, London, W.1 (Telephone REGent 7292) and at Prestwick Airport, Ayrshire (Telephone Prestwick 7272 ext. 402).

PAA

PAN AMERICAN World's Most Experienced Airline

*Trade Mark, Pan American World Airways, Inc.



Tan-Sad
on every floor

A tall story? No. It is a fact that well known organisations are equipping their premises—literally from basement to roof—with Tan-Sad chairs. They realise gains in health and efficiency through correct posture. Let us show these benefits to your organisation. Write or phone for full details to:—



THE TAN-SAD CHAIR CO. (1931) LIMITED
AVERY HOUSE, CLERKENWELL GREEN, E.C.1
TELEPHONE: CLERKENWELL 3192/3

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES. The Civil Service Commissioners invite applications for permanent and pensionable appointments to be filled by competitive interview during 1953. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1953, may eventually be announced. The Scientific posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science; in Biology the number of vacancies is small. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply. Candidates must have obtained a university degree with first or second-class honours in an appropriate scientific subject (including engineering) or in Mathematics, or an equivalent qualification; or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1953 may be admitted to compete before the result of their degree examination is known. Age Limits: Senior Scientific Officers, between 26 and 31; for Scientific Officers and Patent Classes, between 21 and 28 during 1953 (up to 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers—(men) £812-£1,022; (women) £681-£917; Scientific

Officers—(men) £440-£707; (women) £440-£576; Patent Examiner and Patent Officer Classes—(men) £440-£655; (women) £440-£576. Somewhat lower rates in the provinces. Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S.53/53 for Senior Scientific Officers and S.52/53, S.128/53 for the other posts. **BRITISH ELECTRICITY AUTHORITY** wish to appoint a **PRINCIPAL ASSISTANT** in the **FINANCE BRANCH** at their Headquarters in London. Applicants should preferably possess a recognised accountancy qualification or a degree in economics or commerce and should have had a wide experience of electricity supply finance and accounts. In particular the post calls for knowledge of budgetary control and ability to prepare concise and lucid reports on financial matters. Salary (N.J.C. Grade 8) £905-£1,010 inclusive. Letters of application, stating age, present salary, qualifications and experience, to D. Moffat, Director of Establishments, Winsley Street, London, W.1. Closing date August 4, 1953. Please quote AE/396. **THE WORKING MEN'S COLLEGE**, which provides evening classes in adult education, requires a non-resident male Assistant Secretary. Starting salary £450 to £600, according to qualifications. Candidates must have experience of office routine and be prepared to take part in the general life of the College. Particulars and application forms may be obtained from the Secretary, Working Men's College, Crowndale Road, London, N.W.1.

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or protected interests in the Dominion.

You are invited to contact the London Office or the Head Office.

BANK OF NEW ZEALAND

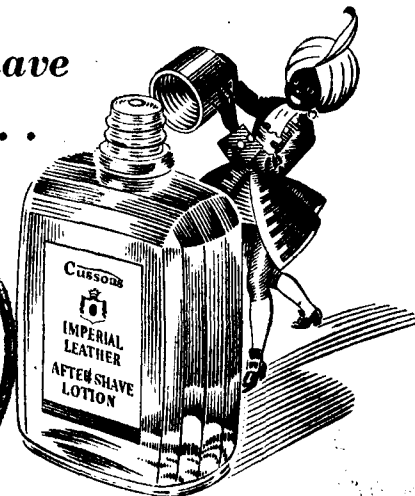
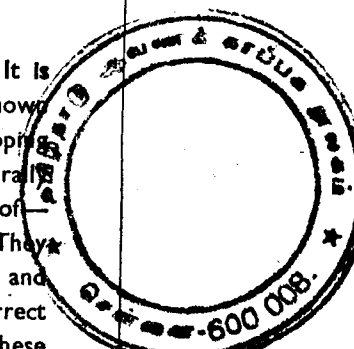
(Incorporated with limited liability in New Zealand)

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).

Your
electric shave
luxury...



An electric shave is a dry shave, so use Imperial Leather After Shave Lotion before instead of after shaving. Your shave will be cleaner than you ever thought possible.

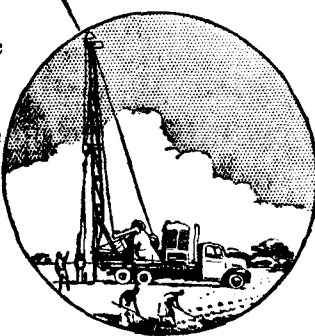
Large size 3/2, Junior 1/10. From all good shops.

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



The Power Barrier? It stands between death and life. On one side, dry water courses, starvation, the sad, gaunt bones of the desert; on the other, irrigation, miles of waving green crops, food... happiness, and hope. It is *power* that brings life to a land and its people. At this very moment in India, *power*—diesel and electrical power—is bringing life-giving water from a thousand wells to the dry acres of the great Ganges Plain. Diesel generating sets made by THE BRUSH GROUP are power stations in miniature, and operate sixty electrical pumps. Each pump draws water through a steel well from hundreds of feet below the parched Indian soil.



BRUSH through the Power Barrier

Throughout the world THE BRUSH GROUP exports the engines and the plant that burst through the power barrier—bringing green lands in place of yellow sands, plenty in place of hunger...

THE BRUSH GROUP

Manufacturers of diesel engines and electrical equipment for agricultural, traction, industrial and marine purposes.

The Brush Electrical Engineering Co. Ltd. • Petters Ltd. • J. and H. McLaren Ltd.
The National Gas and Oil Engine Co. Ltd. • Mirrieos, Bickerton and Day Ltd.

DUKE'S COURT • DUKE STREET • ST. JAMES'S • LONDON S.W.1 • AND THROUGHOUT THE WORLD

The Economist

FOUNDED 1843

AUGUST 1, 1953

ONE SHILLING

End of a War 303

Canada's Time to Change? 305

Guardians of the Straits 307

Guide Books 308

NOTES OF THE WEEK

Lord Salisbury's Refutation; Three Voices on Germany; The Samovar Spirit; Welsh Mountains out of Molehills; Federation Achieved; Traffic and Safety; Reforming the French Parliament; Release of Naumann; Decision on Gatwick; Workers in 1952; Mr Nehru in Karachi; The Harvest in Eastern Europe; Oil on the Sea; Evasive Public Corporations; Benelux Rides Another Storm; Yugoslavia's Troubled Borders. 310

LETTERS TO THE EDITOR 319

BOOKS AND PUBLICATIONS . . . 320

AMERICAN SURVEY

Eisenhower's Armistice 322

Summer Students 323

Congress in a Hurry; After Korea—Universal Service?; Stretching Rubber's Deadline; Hoover Recommissioned; Hollywood Goes to Washington.

THE WORLD OVERSEAS

A Year of Nequib 327

Moderation in Africa; South Africa's Budget; Germany Cuts Steel Prices; The Birth of the Bolsheviks; Negotiating at Panmunjom—II.

THE BUSINESS WORLD

Industry's Fuller Purse 335

Bankers Galore 338

BUSINESS NOTES

Truce and After; Ayr Asks Too Much; The Production Record; Trends in Bank Deposits; New Taxes for South Africa; Loan to Pakistan; Logic on Trust Issues; What Price Copper?; New Bases for Middle East Crude Oil; Sterling in World Trade; Jubilee Quotation for Aluminium Ltd.; More Red Matches; Employers Stay Apart; Is Sulphur Still Scarce?; Cocoa Boomlet; Shorter Notes. 340

COMPANY NOTES AND SECURITY

PRICES 348

INDUSTRIAL PROFITS 351

FINANCIAL STATISTICS 353

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

End of a War

NO jubilation was reported from any capital of the world when the truce was finally signed in Korea. There was only a dull and wary relief that at last one of history's most unpleasant and most futile wars had come to a halt; and perhaps to an end. To say that it was futile does not, of course, mean that it should not have been fought. Wars never do good; but they sometimes prevent greater harm being done; and for all its sordid indecisiveness the war in Korea clearly meets that test. The harm that would have been done if the aggression on a member of the United Nations had not been resisted is beyond calculation, and though complete victory would have shed a greater lustre on the sacrifices that have been made, those who made them can still be sure that they were not made in vain. The pass was not sold.

As the armies rest, the diplomats confront a task of equal difficulty. Any illusions there may have been that the political conference which is to follow upon the truce would be an easy one must have been removed by Mr Dulles's press conference on Tuesday. The Secretary of State, announcing that he would fly to Korea on Sunday to discuss future policies with President Syngman Rhee, strongly rejected suggestions that there should be any substantial concessions by the United Nations. Least of all would America barter Korean unity for Communist China's membership of the United Nations. The statement has indeed been made, without denial, that Washington has promised Mr Rhee to walk out of the political conference if it does not make satisfactory progress in ninety days from its start.

Those who are already denouncing this attitude on Mr Dulles's part should first stop to reflect on the position in which he finds himself. In his own country, he is attacked from an angle exactly opposite to that of his critics in Europe. As a despatch from Washington points out on another page, the Truman Administration could not possibly have concluded an armistice on these terms, and though a Republican Secretary of State has a little more freedom to manoeuvre, he cannot wholly ignore the views of so many members of his party. Even if this were not so, he would be very silly to put all his cards on the table. After all, the fact that a truce has been secured at all is a vindication of the patient firmness that the Americans have shown (under both Administrations), and a continuance of the same attitude provides the best hope of a successful—or at least an acceptable—outcome to the political conference. To judge by the speeches that have been made in Parliament this week, the Labour party thinks that the right way to approach a bargaining match with oriental Communists is to tell them in advance that their main demand will be conceded. Whether this attitude derives from a carefully thought out new policy as yet unrevealed, or from the usual muddle-headed emotionalism, or merely from a desire to do the Government down at any cost to the public interest, no one can say. The one certain thing is that it could not possibly suit the Kremlin's book better.

Neither the composition nor the agenda of the proposed conference is in the least clear. Those who want to see it achieve results will want to keep it as restricted as possible in both respects. But this will hardly be possible, at least so far as composition is concerned. The truce negotiations were, formally, a two-party affair, between North Korea and the United States, representing the United Nations. But on the Communist side, a conference will have little reality unless the Russians are directly represented, and none at all unless the Chinese Communists are there. And on the side of the United Nations, it is highly unlikely that the nations will be content to leave the Americans in sole control. Every country that contributed a contingent to the fighting will want to be present, and could hardly be excluded. Neither Australia nor Canada will be content to leave the representation of the Commonwealth to the United Kingdom. India, as custodian of the prisoners, will have to be there. Nor can Japan, in reason, be denied a place, though any suggestion to send an invitation to Tokyo is likely to meet with strong opposition from the other side. But if all these attend the conference as plenipotentiaries, progress can hardly be expected to be either smooth or rapid. This puzzle will presumably have to be solved by the General Assembly of the United Nations, which meets on August 17th.

★

Besides the composition of the conference, the agenda is still quite uncertain. Will it or will it not range beyond the shores of Korea? Will it include the problems of Communist China's seat at the United Nations, the status of Chiang Kai-shek's regime on Formosa, and even the war in Indo-China? Is it to be a discussion confined to the specific issues of Korea or an attempt to use the truce atmosphere for bringing about a general Far Eastern settlement? No one seems to be willing to say in public what he thinks. Mr Dulles, when asked the other day, replied refreshingly: I don't know. But surely the facts are compelling. The first and only object of the present conference must be to deal with Korea. Put at its simplest, nations such as Turkey or Colombia which have a right, and will assert their claim, to be consulted about a Korean political settlement, by no means necessarily all have the same right to be heard on such subjects as Formosa and Indo-China. They may have fought in Korea as members of the United Nations' team, but they will not have to bear the same consequences as the major powers for decisions taken about other parts of the Far East. The composition of a conference to deal with the latter should be quite different from one to deal with the former. If negotiations over Korea go well, they should be followed up by another conference with a wider agenda. If they do not, it is a waste of breath to suggest talking about the Far East as a whole.

The truth of this proposition was generally recognised both in the Commonwealth and in the United States when the truce talks first opened at Kaesong two

years ago. But events have since blurred its outline, just as they have sown fresh uncertainty into the question of what to do about Korea itself. The United Nations have been fighting in theory for the conception of a united Korea; no one, at any rate outside the Communist capitals, intended in 1945 that Korea should be permanently divided. With the recent implacable Communist opposition in the north, however, it had come to be thought that some form of partition was the only workable solution—until Mr Syngman Rhee made it clear during the past few weeks that, whatever the north might want or do, the south itself would not accept a permanent division. Hence, if the allies are going to discuss the future of Korea, it is now clear, as Mr Dulles has recognised, that they must go into the conference committed to unity. Yet this in itself presents a problem. For it implies that, since the actual union of north and south does not at present look like being feasible, some formula may have to be found which, while accepting union in principle, still does not make peace dependent on its being put into practice immediately—whatever Mr Syngman Rhee may say.

Thus the first item on the agenda provides infinite opportunity for stonewalling, if that is what the Communists want to do. But do they? Is it entirely unreasonable to suppose that, having decided to give up the attempt to conquer South Korea by force, they will want to complete the political side of that decision on satisfactory terms? The armistice arrangements represent the filing down of a great mass of disagreement into the smooth and polished pages of the present compromise. Study of their contents shows that the negotiations protracted though they were, did accomplish a great deal: both sides moved from their original incompatible positions towards a genuine compromise. It would be wrong, in spite of the reservations that so readily suggest themselves, to assume in advance that the same process cannot be applied to the political negotiations. But if, in the end, it is to produce the same result, two conditions are inescapable. The first is that the negotiators for the United Nations will have to possess great patience; the second is that they will have to show united firmness. If the first admonition is chiefly addressed to American public opinion, it is the second that should be taken to heart in Britain.

INDEX

The Index to *The Economist* is now published quarterly. The subscription rate is 5/- a year; single copies are priced at 2/- each. The Index to Volume CLXVII (April to June, 1953) is now available from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

Canada's Time to Change?

ON August 10th a new Federal Parliament will be elected in Canada. This election occurs at a time when the free world must expect to take an increasing interest in Canadian politics; that is one of the surest consequences of Canada's economic expansion and of its growing importance in diplomacy. But if this pleases the pride of Canadians, it will also expose them to some irritating misconceptions. The outside world too readily regards Canadian politics as a mixture of British and American. They show, for example, some of the regional differentiations of the United States, with Quebec providing a parallel to the "solid south." On the other hand, parallels with Britain are as easy to find—although, in a struggle in which Liberals and Conservatives are the major parties and Socialists little more than a splinter group, the parallels may sometimes seem to be with nineteenth century Britain.

That, however, should show the inadequacy of such comparisons for a country that belongs so distinctively to the twentieth century, not only in technology but also in thought, as does postwar Canada. Most of the parallels, with Britain or with the United States, are more dangerous than helpful. If French Canada is quite as loyally Liberal as the southern States are Democrat, that is the incidental result of racial and religious complications which are utterly different as causes. Nor are Liberals and Conservatives in Canada closely identifiable with their British namesakes at any stage in history. Least of all does the Social Credit party in Canada stand in the place in the political firmament that its inflationary monetary theory would suggest; in all other respects it is a party of the extreme Right.

But while the drawing of parallels is dangerous, one is, in 1953, irresistible. In Canada, as in the United States, the more conservative party was in office when the world of the twenties was dashed to pieces by the Great Depression. At the next election it was, naturally, thrown out—the Republicans in the United States in 1932, the Canadian Conservatives in 1935—and its opponents gained the opportunity to rule through two decades of recovery, victorious war and unprecedented postwar prosperity. The Canadian Liberals, like the American Democrats, acquired with this experience a changed political philosophy. They became more internationalist in outlook, they embraced many social security measures, they turned to Keynesianism in economic policy; in short they became, more clearly than before, the party of the Left—the Left, that is, in North American terms, which still allows its adherents to look askance at the socialism they claim to find in the British Conservative party. And as they moved to the Left, and the boom went on, the Liberals became more and more the popular party, until in 1949 they scored one of the most resounding victories in the history of parliamentary politics, giving them nearly three-quarters of the seats in the House of Commons. But that was in 1949, when electors were still sur-

prised and grateful to have a job and to live in an expanding economy. The past four years have brought higher prices and taxes heavy enough for resentment. The Canadian Conservatives are certainly not without hope. The Liberals have done badly at by-elections and have suffered heavy defeats in provincial general elections, stretching across the country from New Brunswick to British Columbia. But the indications are not all one way—the Liberal Government of Manitoba won a general election comfortably last month—and they are in any event of doubtful account. In a provincial election Canadians are deciding different issues; there is, probably, even less relation between the voting in provincial and federal elections than there is between county council and parliamentary elections in Britain.

★

In stating the case for a change the Canadian Conservatives suffer, compared with the Republicans south of the border, from three disadvantages. First, their leader, Mr Drew, is a somewhat lesser figure than Mr Eisenhower. Secondly, their previous experience of office is effectively more remote than was that of the Republicans. The unfortunate administration of 1930-35 was the only substantial interlude in the ascendancy that Mackenzie King established by refashioning the Liberal party after the first world war. It is hardly an exaggeration to say that modern government, in the age since 1918, has as yet meant in Canada only Liberal government. The Canadian Conservatives have more ground to make up, in experience as well as in seats, than often falls to the lot of a major party.

Their third handicap, compared with the Republicans in the United States, is that the Liberals are a harder target than the Democrats. The impression of good government that Canada gives to the outside world is not exactly reflected inside, where the standards of what is practicable may be higher. Some cases of extravagance and maladministration can be demonstrated, and one at least has done the Government appreciable political damage. But there can be no gainsaying the fact that the great expansion in the machinery of Federal government during the past fifteen years has been achieved in Canada without the confusion and corruption that in the United States became a charge against the Democrats. It may be, of course, that this reflects the vigilance of the parliamentary Opposition in Ottawa as much as the honesty and competence of the Government. But whether fairly or unfairly, the result is that the Conservatives are unable in this election to make much headway with charges of maladministration.

The Conservatives are therefore fighting chiefly on the field of taxation, which they promise to reduce by \$500 million—more than a tenth of the total federal revenue. The means of doing so are open, to say the

least, to argument. At the same time, the Conservatives propose to institute national health insurance and to embark on increased expenditure in various directions. Their programme, indeed, reflects the inevitable difficulties of opposition in a country where one party has managed to establish itself so broadly across the centre of politics. Despite, for example, their leftward movement in welfare legislation, the Liberals have firmly maintained disinflationary financial policies that in Britain would be dubbed reactionary. The Conservatives have accordingly found at times little room for manoeuvre on the right of the Liberals and have stepped out of character to advocate policies—notably an extensive use of physical controls during the 1951 inflation of prices—that might have been expected to come from the left wing. Partly for this reason, business opinion is far less closely linked with the Conservatives than it is with the Republicans in the United States. Indeed, in an expanding economy the Canadian Government's liberal policies for foreign trade have been widely welcomed not only on the Prairies but also in the traditionally protectionist industrial areas of Ontario.

★

The battle between Liberals and Conservatives is being fought from Newfoundland to Manitoba. In the three western provinces, the Liberals may well lose some seats, but the gainers are likely to be the two minor parties. The CCF (Co-operative Commonwealth Federation) is a socialist party, doctrinally close to the British Labour Party, which gained power in 1944 in Saskatchewan—the centre of agrarian distress in the thirties—but remains unlikely, in this election at least, to win over the industrial proletariat. The most interesting plank in the CCF election platform is provided by its extreme position on one of the more emotional issues of Canadian politics—how far to lean towards either the British or the American connection. The CCF would cut down Canada's need for American dollars by discriminatory import restrictions and would expand trade with Britain by accepting sterling in payment. Not even Mr Coldwell, the party's very able leader, can make this a policy that will appeal to many Canadians, except those who export wheat.

Social Credit is also a party of agrarian discontent, but it came to provincial office in Alberta as long ago as 1935, had no power to practise its monetary theories, soon found a boom on its hands, and settled down to sound administration with a strongly free-enterprise, anti-socialist bent. Its Bible-class revivalism is linked with an authoritarian tone in political philosophy and its monetary heresies, in so far as they survive even in theory, find expression in a certain anti-semitic emotion rather than in any other common political doctrine. Social Credit recently captured the provincial government of British Columbia, and may now win some federal seats there, but it was checked in Manitoba and its hopes of becoming a national party are in suspense.

Its immediate importance is that, if the Liberals and Conservatives were to come back to Ottawa in approximately equal numbers, the Social Credit group would probably choose to ally itself with the Conservatives.

Such a result depends on the Conservatives' ability to win back the seats in their traditional stronghold of Ontario that fell to the Liberals in 1949. In Quebec they may gain some seats, but against them is not only the provinces' traditional Liberalism but also the popularity of the French-speaking Prime Minister, Mr St Laurent, who combines great abilities with a capacity for inspiring affectionate confidence that makes the nickname "Uncle Louis" far more than a publicist's brainwave. In Manitoba and the Maritime provinces, also, various historical and local circumstances set close limits to the likely Conservative gains. It is only in Ontario, and perhaps only in the south-west of that province, that the Conservatives can look with any confidence for the landslide of 1949 in reverse. The Liberals, indeed, will be entitled to feel some surprise if the time for a change, which the electors in the United States decreed after twenty years, comes in Canada after eighteen.

Free Trade in Cabs

A fortnight ago we hinted our misgivings of the New Cab Law, though we did not like to run full tilt against the public voice, and denounce an Act which met almost universal approbation. Our misgivings have been realised. London was astonished on Wednesday to find itself totally deprived of the convenience of cabs. The cab-owners struck; they refused to carry on their trade under the new regulations; and gentlemen hastening to keep appointments—parties coming from or going to railways—a great number of the softer sex and of children—were exposed to vexatious delays and cruel disappointment. . . . It is not very often that we find ourselves agreeing in opinion with Sir Robert Inglis, but when he said on Wednesday that by this Bill . . . a rate of price has been affixed to a given scale of goods, and that this is contrary to all the principles of political economy, we cordially echo his opinion. We will add that it is contrary to justice, and that, if persevered in, it is likely to be about as dangerous a measure as ever the Legislature sets its hand to. Let the Act be disguised as it may . . . it was passed exclusively in the interest and on the representations of the hirers of cabs, and at their request it fixes a maximum on the charge at which they may command the services of others. They are to ride in cabs, not for a fair and reasonable remuneration, only to be determined, like all other bargains, by the higgling of the market, or the mutual contracts of buyer and seller, but for a sum settled at their instance, without hearing the cabmen, by the Legislature. . . . It is true that such a principle is not now acted on for the first time in relation to hackney carriages. But this is the first time it has been acted on since the Corn Laws were abolished, and since unrestricted competition, the higgling of the market, has been declared throughout the land to be the only principle on which buying and selling can be fairly carried on.

The Economist

July 30, 1853

Guardians of the Straits

THE Turks are evidently determined not to be led astray by the air of studied courtesy and moderation that pervaded the Soviet note to Ankara of May 30th. In their reply, delivered two weeks ago, they are equally polite, moderate and reasonable; but the rebuff to the Russian advances is plain enough. They note "with satisfaction" that Russia has renounced all territorial claims to Turkey; and to the Soviet Government's declaration that, after reconsidering the matter, it now considers that the Straits question could be settled on conditions acceptable to both Turkey and Russia, they return a pointed reminder that the control of the Straits is regulated by the Montreux Convention. The gratuitous Soviet complaint about this week's visits of American and British naval forces to Istanbul, must make the Turks feel that their frigidly correct attitude was right; for the Montreux Convention specifically permits courtesy visits and places no limitation on the size of the visiting forces.

It would, however, have been surprising if the Turks had not been included in the present widespread distribution of Soviet attentions. Turkey controls the entrance to, and exit from, the Black Sea on which lie Russia's only warm-water ports; quite apart, therefore, from considerations of cold war, the Soviet Government is bound to watch developments in Turkey with the closest attention. In the last five years, it has seen the Turks throw their former cautious isolation to the winds and become active members of the North Atlantic Treaty Organisation. Turkey has received about \$1,000 million in American aid for military and economic development; Nato air fields are being built on Turkish soil within easy reach of the Donbas; and its relations with Greece and Yugoslavia have been improved to such an extent that a full-scale military alliance may not be far off. In the nineteenth century, the Russians were deeply disturbed lest the weakness and disintegration of the Ottoman empire should cause the Straits to fall into the hands of one of the Great Powers. Now, in the mid-twentieth century, the Turks are indisputably masters in their own house, and vigilant guardians of the Straits. But from the Russian point of view they have made too many undesirable friends; the developments of the last few years must arouse in the rulers of Russia much the same sort of suspicions as were felt by their Czarist predecessors.

The Russians may now regret their hectoring and hostile attitude towards the Turks in the immediate

postwar years; it can only have helped to push the Turks into the western camp. In particular they may now regret the decision in 1946 to revive the claims of Georgia and Armenia to the Turkish provinces of Kars, Artvin and Ardahan. Lenin had renounced Soviet claims to these predominantly Moslem districts, in return for a Turkish withdrawal from Batumi, in the Treaty of Moscow in March, 1921. Armenian and Georgian claims were revived in 1946 on the grounds that Russia had negotiated this treaty more or less under duress, and also on highly dubious ethnic and historical grounds. Now, the two Soviet republics have unconditionally abandoned their claims. To the last the fiction is maintained that Georgia and Armenia have minds and wills of their own; but it is a useful fiction since it allows Moscow to pose as the benevolent go-between between Turkey and the two republics and

to retrieve a tactical error with the minimum loss of face. But to the Turks, who have never acknowledged the revived Georgian and Armenian claims, the Russians have merely stopped something which they should never have begun in the first place.

If the Russian statement on the Straits' question means that they have given up their claim of 1946 to have fortified bases along the Dardanelles, then here too the Turks will say that

they are merely abandoning claims that they should never have made in the first place. But it is not even plain that the Russians have gone as far as this; all that emerges clearly is that they are dissatisfied with the present arrangements for controlling the Straits. Yet when the final draft of the Montreux Convention was signed in July, 1936, it contained some important concessions to the Russian point of view. No limitations were placed on the number and tonnage of the warships that a Black Sea power could send through the Straits into the Mediterranean; the only limit was on the number and tonnage of warships passing through the Straits at any one time. Thus the Montreux Convention places no limit on the size or nature of the fleet that Russia could, if it wished, build up in the Mediterranean in time of peace. On the other hand, there is a strict limitation on the naval forces that non-Black Sea powers can send into the Black Sea in peacetime. From this restriction it follows that Turkey's membership of Nato does not mean that Admiral Mountbatten can send as many Nato warships as he likes into the Black Sea and there hold large-scale naval manoeuvres.



This is the position in time of peace, and from a Soviet point of view it clearly could be much worse. But to the Russians the regulations governing the passage of warships in time of war must leave much to be desired. If Turkey is neutral, the peacetime regulations apply, except in the case of belligerent warships which, save in certain special circumstances, are not allowed to sail through the Straits. But if Turkey is a belligerent, the passage of warships is left, under Article 20 of the Convention, "entirely to the discretion of the Turkish Government." And under Article 21, Turkey is given the right to put Article 20 into effect, if it believes itself to be "threatened with imminent danger of war." In 1936, when Turkey was likely to be neutral, or at any rate not actively hostile to Russia, in any future war, this may have seemed satisfactory enough to the Russians. But in 1953, it is quite a different matter. Even if Turkey should not be actively engaged in any east-west conflict, it can still allow an unlimited number of Nato warships to sail through into the Black Sea, on the grounds that it feels itself to be seriously threatened.

This is the contingency which must seriously worry

the Russians. Yet Malenkov and Molotov must surely realise that in the present international temper they are unlikely to get any revision of the Montreux Convention more favourable to themselves. The extremely conciliatory offers of revision made by the western powers in 1946—and then churlishly rejected by Moscow—can hardly stand today. But the Russians have not yet made any specific request for a revision of the Convention. Their principal aim, it seems, has been to draw the Turks out of the western camp by suggesting to them that it might be to their profit to do a deal with Moscow over the Straits. The Turks, however, have made it clear that they have no intention of getting involved in a *tête-à-tête* with their big neighbour. Whether, after this rebuff, the Russians will think it worthwhile to pursue the matter to the extent of asking for a revision of the Convention, remains to be seen. If they do, and if they are prepared, as the Turks insist, to admit the Americans to the conference table, then the West can be fairly certain that their aim will be not so much to score a point in the diplomatic game as to draw attention to what they consider to be their vital interests.

Guide Books

BY A CORRESPONDENT

TRAVEL literature is as old as the art of writing; but guide books—the utilitarian species within the genus—go back only a couple of centuries or so. The frontier of the species is not perhaps quite self-evident; but for the present purposes it can be drawn to include only books you actually take with you on your holiday and to leave out the ones that you read at home in the course of making up your mind where to go or give as Christmas presents to your relatives after you have returned in the hope of exciting their envy. To be a guide book, a book must take you literally by the hand.

The great classical figure in the guide-book world is, of course, Karl Baedeker, closely followed for the English-speaking world by the Muirhead family. Both designed their guides on the same general plan. They take the traveller on a succession of itineraries or routes (which, in the old days used to follow the railways, though the postwar "Blue Guides" have switched to the roads). Everything—be it hotels, post offices, restaurants, cab fares, excursions, historical notes, beauty spots, museums or galleries—comes in its exact geographical position. And the detail is inexorable (the new "Blue Guide" to Northern Italy has, to take a single example at random, a list seven pages long of the treasures of the Uffizi).

The labour and the care that are put into the classical guide book are both astonishing. But is it what the tourist of today wants? In the nineteenth century, the traveller may have had infinite leisure and the determination to leave nothing unseen or untried. Very few

of his kind survive today. The typical tourist now travels by car (which is difficult to park in towns); he is always short of time (because he always attempts too much) and usually short of money. He wants his information pre-digested and he wants it in a hurry. He can use the classical guide-book only as a quarry, and for this (in spite of the attention paid to indexes) it is not well designed. It is at its best when carried through a gallery with a finger keeping the place, at its worst when the need is to discover, before the traffic light changes, whether to turn left or right. But the other extreme, the directory type of book, which is a mere list of hotels and garages with a street plan, equally has its limitations. It can tell you where to mend a tyre, but not where to refresh the spirit; and it is the latter that is the more important for a good holiday.

Between these two extremes, any number of people have struggled for years to find the ideal formula for the new-style motor tourist. Let us take the case of Spain and illustrate it in the light of a selection of the recent publications alone. As it happens, there is not an up-to-date Baedeker or Blue Guide for Spain, whose recent rise in popularity as a tourist resort may perhaps have been too rapid for the necessarily lengthy process of compilation of such detailed guides. Their place is partly taken by a local publication, "The Tourist Guide Book of Spain," but it tends to suffer from their fault of indigestibility without the saving grace of their admirable organisation. Moreover, it breaks what ought to be the Golden Rule for all guide-book compilers:

THE ECONOMIST, AUGUST 1, 1953

Never accept hotel advertisements if you want your readers to trust your recommendations. At the other extreme is Mr Cedric Salter's "Introducing Spain." Indeed, it would be outside the category of guide books altogether, for most of it is a subjective, personal travelogue, if it were not for six preliminary chapters with headings such as "Language, Clothes and General Behaviour," "Hotels" and "Spanish Food and Wine." These contain more helpful information than can readily be memorised or copied out; the book would probably find its way into the suitcase. Then there is the Spanish volume of the series (of Dutch origin) that calls itself "Fodor's Modern Guides," and has obviously made an effort to deserve the title. This volume contains eight chapters of practical information, followed by two-score descriptive chapters by different authors, which naturally differ in style, in thoroughness and (a partial sampling would suggest) in reliability. But on the whole one has to conclude that this gallant attempt to provide a "modern guide" falls between two stools. For descriptive writing one would turn to the many travelogues (and leave them at home) and for reliable detailed information to the admirable new Michelin guide.

★

The name of Michelin leads to what, in the present writer's opinion, is the only completely satisfactory solution of the motor tourist's problem. This is the "Service de Tourisme," provided by the Michelin tyre firm for its native country. The lucky traveller in France has, firstly, the series of Michelin road maps, very cheap, beautifully printed and crammed with information (the only addition one can suggest is contour colouring). Then secondly there is the famous red "Guide Michelin" revised each year. Basically, this is a list of hotels and restaurants—but compiled with such scrupulous discrimination as to raise it into an entirely different class. One of Michelin's famous stars is an unfailing indication of a good meal, three stars of a gourmet's paradise. Moreover, Michelin gives lists of quiet hotels, of particularly well situated hotels and the like. And there are hundreds of town plans of admirable clarity. Then, thirdly, there are the slim, green regional guides, which tell the tourist where to go and what to see—again with the help of scores and scores of maps, large and small. The secrets of Michelin's success would seem to be the ingenuity that has been devoted to all matters of lay-out and printing; the separation of descriptive from reference matter (so that the latter can be up to date and complete without encumbering the former); and, above all, the courage to express discriminating opinions and state orders of merit, whether it be of natural beauties or of the delights of the table.

It is this element of discrimination that is so woefully lacking in the usual guide books. In Germany, a re-birth of the Baedeker firm is beginning

to put out, in conjunction with the German Shell company, a series of regional guides obviously based on the Michelin regional volumes. But in other countries, and particularly in Britain, if the tourist wants similarly discriminating assistance, he will have difficulty in finding it. The gap waiting to be filled by some ambitious publisher is not very difficult to define. Suppose you have an American friend coming to this country, who wants to hire a car and see within two weeks some of the best British scenery. You want to be able to put a book into his hands that will tell him which districts are really worth seeing and which are not worth bothering about, and that will lay his journey out for him in a practical way. It is not enough to assume that he already knows where he wants to go and then give him information impartially about Wigan and Windermere—nor should it be assumed that everybody has the same amount of time to spend. If such a book exists, it has not found its way into the hands of this correspondent.

Secondly, you will want to give your visitor some means of distinguishing the hotel that is pleasant to stay in from the one that is a licensed robbery. The motor associations long ago gave up the struggle to discriminate, and their system of stars nowadays indicates nothing beyond relative size and expensiveness (though it is only fair to say that some hotels are dropped from the list completely—the fourth largest city in Scotland is a total blank in the current issue). There are two volumes, reprinted annually, which attempt to list only the better hotels, Mr W. G. McMinnies's "Signpost" and Mr Ashley Courtenay's "Let's Halt Awhile." These are useful books. But they suffer from the difficulty that, if they were restricted to really excellent hotels, they would be slim volumes indeed and, therefore, though they list no poor houses, a certain skill in reading between the lines is necessary to distinguish the good from the merely fair.

The official tourist agency, the British Travel and Holiday Association, would get into the most dreadful hot water if it attempted to say that one village is prettier than another, one hotel more comfortable than its neighbour, one restaurant less addicted to baked beans than its competitor. Being official, it has to be impartial. But is there no private organisation that would like to reap in Britain some of the goodwill that scores of thousands of travellers in France gratefully attach to the name of Michelin?

References to recently published books mentioned in the text:

"Northern Italy." Edited by L. Russell Muirhead. Ernest Benn. 30s. "The Tourist Guide-Book of Spain." Published by "The Times of Spain," Madrid. "Introducing Spain." By Cedric Salter. Methuen. 18s. "Spain and Portugal, 1953." Fodor's Modern Guides. Published in England by Newman Neame. The Michelin publications are issued by Services de Tourisme Michelin, Paris, and represented in Britain by Seymour Press, Ltd. "Baedekers Shell-Autoführer." Published by Baedekers Autoführer Verlag, Stuttgart. "Signpost." By W. G. McMinnies. Simpkin Marshall. 10s. 6d. "Let's Halt Awhile." By Ashley Courtenay. Published by the author. 8s. 6d.

Notes of the Week

Lord Salisbury's Refutation

IN the House of Lords on Wednesday the Acting Foreign Secretary was able to quote his absent Prime Minister as saying of the recent Washington conference that "in the circumstances we had got the best results possible." That is to say, the American attitude excluded a meeting with Malenkov but not talks on Germany with Molotov. Lord Salisbury was, if anything, too modest in defending his achievement at Washington; for it is the impression of others who were there that Sir Winston would have secured from President Eisenhower fewer concessions to the British point of view than Lord Salisbury secured from Mr Dulles. It is a fact of life, not to be disregarded in the conduct of British policy, that the tremendous respect in which the Prime Minister is held by political leaders in the United States and Western Europe is not unmixed with a certain suspicion of his diplomatic intuition.

Lord Salisbury also addressed to some of his critics in the House of Commons a well-deserved rebuke. "It really is no use," he said, "people in Parliament or outside behaving as if we had no allies or at any rate no need to pay the slightest attention to them." People are taking time to grasp that the first task of diplomacy at the moment is not so much to reach agreement with the Russians as to keep together the Atlantic alliance so that it can negotiate from a firm and common base. Characteristically the Bevanites in this country (and some Boothbyites) and the neutralists in France work with the China Lobby in the United States to make the alliance creak and groan.

Three Voices on Germany

FIRST Dr Adenauer in a letter to Mr Dulles, then President Eisenhower in a letter to the German Chancellor, and finally M. Bidault in a report to the foreign affairs committee of the French Assembly, have all thrown out new hints on the future of Germany in relation to the Soviet world. Nobody has mentioned by name the problems of the Oder-Neisse line (discussed in last week's issue of *The Economist*), but they lurk between the lines of the German and French pronouncements. Nobody has specifically said that the European Defence Community might become first and foremost a political and economic federation, with the rearmament of Germany only an element in it. But this idea, too, seems to be in the minds of Dr Adenauer and M. Bidault; and it will be pursued

at the meeting of the foreign ministers of the six countries in the coal-steel community to be held at Baden-Baden in the middle of this month.

Dr Adenauer's letter to Mr Dulles, written at the time of the Washington conference, has doubtless been made public at this moment because Christian-Democrat chances of winning the forthcoming elections are improved if he is regarded as a man who exerts pressure on America—not the other way about. In his letter Dr Adenauer threw out the vague suggestion that the whole EDC should be the point of departure for a security system which would meet the requirements of all European peoples, including the Russians. Speaking on the same subject at Dortmund last Sunday, the Chancellor suggested that the EDC should remove Russian fears of revived German militarism because of the safeguards it provides.

M. Bidault told the foreign affairs committee of the Assembly that no peace treaty would be imposed on the Germans; the treaty would be made with Germany, not against it. This sound doctrine is not welcome in France. It implies that the Germans will not be forced to recognise the Oder-Neisse frontier—or the Saar either—though they might, for the sake of regaining the Soviet Zone, agree under protest to the continued existence *de facto* of their present borders. M. Bidault seems to have had this possibility in mind when he said that it remained to be seen whether a reunited Germany that did not recognise its frontiers could be incorporated in the EDC. M. Bidault did not regard it as impossible that this might happen, and even that the Soviet Union might agree.

President Eisenhower, on the other hand, envisaged total victory after the establishment of the EDC. He forecast that the

growing contrast between west and eastern Germany, the latter with its bankrupt regime and impoverished economy, will in the long run create conditions which must make possible the liquidation of the present Communist dictatorship and Soviet occupation.

He also said he was sure that united Germany would not choose to disarm. It is a pity that President Eisenhower's advisers, having agreed that there should be talks with the Russians, should be so frightened of appeasement that they cannot use the language of reasonable negotiation. The result is a perpetual discord between Europe's tones and America's.

The Samovar Spirit

IT has been interesting to observe how many newspapers and how many politicians writing for them have been trying to persuade their readers that normality in inter-

national relations is just around the corner. Indeed, in the last few weeks a kind of samovar spirit has been created, an impression that a nice cup of tea and a game of poker between Sir Winston Churchill and the appropriate representative of the Kremlin would put most things right. It is possible, but unlikely that it would; but what is disturbing is that the samovar school of thinking should be ready to give up so many cards before the tea party and the game have even been arranged. One says that there is a new spirit abroad in Europe; another that all is fluid and that we must therefore review all our policies; another that the European Defence Community is dead as mutton; another that the Americans will pull out of Europe anyhow and should leave its inhabitants to go their own way.

So far as these statements have any truth at all they represent not freshness of thought or boldness of vision but a drifting back to familiar and normal things. The really new spirit in Europe is the one that is trying to form a new society of nations there, which would include the EDC and the coal-steel pool. The so-called fluidity is the fidgeting of uneasy Europeans in postures of alertness and determination that they want to give up before they can be certain that it is safe to do so. There has never been a majority opinion in Western Europe favouring either these projects or these postures: the creative spirit and the determination to prevent war shown in them have been the work of a few men backed by a minority of voters.

Those who now claim that plans for European institutions and an Atlantic community must be dropped from American and British foreign policy because Europe does not want them, are using an argument they might have used at any time in the last three years. It would be braver and more honest to say that they want to appease the Russians by ceasing to do the things that they want us not to do and by letting Europe drop back into apathy. But that would not read so well in the columns of the Sunday newspapers.

Welsh Mountains out of Molehills

MR BEVAN did his best last week to concoct a real party issue out of two minor aspects of unemployment benefit. Since the lapse of extended benefit was debated in the House of Commons on July 6th, the report of the National Insurance Advisory Committee on "the availability question" has been published [Cmd. 8894]. In this report the committee discusses the grant of unemployment benefit to persons who place abnormal restrictions on the type of work they will accept; and it recommends that benefit should be withheld from anyone who imposes such restrictions that he has no reasonable prospect of employment. This recommendation—made not by the Government but by an advisory committee—and the lapse of extended benefit were described by Mr Bevan as part of an organised attack on working-class standards of life and an inroad into the welfare state.

The hollowness of his argument and of that of the other Labour speakers in the debate is apparent from the history of the present scheme. In his report Lord Beveridge did, it is true, propose that unemployment benefit should be unlimited in duration—which is what Mr Bevan is now

apparently demanding. But Lord Beveridge coupled his proposal with much stricter conditions of attendance at a work centre or for training in a new employment than Mr Bevan would dare to accept on behalf of his constituents. In any case, both the Labour party and the Conservatives rejected the proposal and deliberately chose the present system. Under this a man's right to unemployment benefit depends on his registering himself as available for work, and the duration of his right is limited to seven months in the first instance—though if he has a good record of employment and therefore a good record of contributions his standard benefit can be increased by "added days." (The present Government has now increased the maximum number of "added days" so that the ordinary benefit period may be as long as nineteen months.) "Extended benefit" was a temporary measure of the Labour Government to protect those who, because of post-war industrial dislocation, might be unemployed long enough to exhaust their ordinary benefit, including any added days they might have earned.

Labour speakers last week and in the earlier debate justified their indignation at the end of extended benefit largely because of its effect on Welsh miners suffering from pneumoconiosis who cannot go back to the mines and who cannot find suitable alternative employment in their districts. But if the country is to make extra provision for these men—who, under the industrial injuries scheme, are already far more generously provided for than comparable sufferers from tuberculosis—a permanent *ad hoc* scheme should be drawn up. Hitherto the Labour party has never, officially and openly, suggested that unemployment benefit should be used to supplement provision for the disabled or to freeze a person in a particular job in a particular locality. Yet, under the leadership of Mr Bevan, that is the impression Labour speakers gave last week—with the tacit support of Mr Griffiths, architect of the 1946 scheme. Or was the party determined, for once and at all costs, to show a united front?

Federation Achieved

THE last debates on the scheme for the federation of Central Africa have now taken place. The draft order-in-council embodying the scheme was passed in both Houses of Parliament this week; the order-in-council itself will be made shortly; and the appointment of Lord Llewellyn as the first Governor-General will then be officially announced. Thus the interim administration will probably be in force by the beginning of September, and the permanent provisions of the constitution at a date to be announced by proclamation of the Governor-General. The first federal elections and the meeting of the first federal assembly are expected to take place in the new year.

That is the timetable. But the speeches in the last debates were concerned with far more important things. Mr Lyttelton, in a thoughtful and persuasive speech, dealt at length with what Mr Griffiths has called the Africans' four fears: fears of losing their protectorate status; fears of the eventual amalgamation of the three territories; fears that their political advancement in the northern territories would be halted; and fears for their land. On all these

matters Mr Lyttelton pointed to constitutional safeguards. In the matter of political advancement, indeed, reassurance has already been provided by the appointment of another African to Nyasaland's legislative council, and talks on Northern Rhodesia's constitution, to allow additional African representation in that territory's legislature, are to begin in September. In the economic sphere, too, negotiations have begun between one group of copper mining companies and the European trade union on the difficult but far-reaching question of industrial advancement for the African.

Neither the conciliatory and moderate speeches made by the leaders of both parties in both Houses during these last debates, nor the tentative beginnings of partnership that are discernible, can be relied on to turn the Africans' opposition to federation into willingness to give it a fair trial. The scheme—as Lord Altrincham remarked, one of the most interesting constitutional experiments the Commonwealth has yet seen—is being launched against the same background of sullen African hostility that has overshadowed all the two-year discussions. The initiative has now passed from Westminster to Salisbury and Lusaka—and to the European leaders in the two capitals. It is squarely on their shoulders that the responsibility now lies for establishing the new federation in an atmosphere of mutual tolerance.

Traffic and Safety

THE debate on road policy in the House of Commons on Tuesday served to emphasise what is often ignored: the extent to which the apparently identical problems of traffic congestion and traffic accidents are in fact separate—and amenable to different treatment. The easing of the traffic congestion which is, in Mr Callaghan's words, "strangling" London, Manchester and other large cities in a knot drawn tighter every year, ideally demands an ambitious replanning of traffic arteries. It also involves, therefore, a disturbance of local amenities of which the protests aroused by the Great West Road scheme two years ago give an ominous forecast. And its cost, once the raising of road standards over the whole country is taken into account, will be comparable with that of last century's railway development. The time may not be nearly as far off as it seems when a beginning can be made with such a programme. Certainly everything should be got into readiness for it.

It is, however, clear that the attack on accident rates can be mounted—and indeed ought to be mounted—from quite a different direction. The experience of America and of Germany, both of which have spent far more lavishly on their roads than has this country and neither of which has to contend with a comparable traffic density, shows that whatever else *autobahnen* and turnpikes may accomplish they do not prevent traffic accidents. The upward trend in both countries is the same as it is here, and the rate per vehicle mile is considerably worse. This is not to deny that money must be spent on the roads in order to save lives. But for that purpose the need is for traffic lights, roundabouts, guard rails and cats' eyes, for doing away with proven dangerous blind spots, for the construction of

occasional local by-passes, and the like, rather than for major construction.

Analysis of the causes of accidents needs to be taken a good deal further, but the House of Commons recognised that many of them lie quite outside the scope of road improvements. They lie in the behaviour of road users and the state of their vehicles. Probably the biggest single step which could be taken towards the improvement of both would be to bring the police force up to strength. The mere sight of a uniform has a wonderfully sobering effect on the reckless, the mannerless, and the merely casual; and the power to carry out on-the-spot checks of brakes, steering and roadworthiness generally would, if widely used, eliminate many wheeled menaces which no road improvement would make innocuous.

Reforming the French Parliament

IF it is true, as some observers assert, that Frenchmen are constitutionally incapable of having a stable government, part of the blame has lain with the present Constitution. This left the Fourth Republic with a weak executive and a cabinet system operating by the grace of a disunited and often irresponsible National Assembly. The system of checks and balances has been carried to such a point that governments, instead of finding equilibrium, have had to choose between demise and immobility. Nearly everyone has been calling for reform, but the contrivers of the Constitution put countless obstacles in the way of amendment. A parliamentary study of various proposals began early in 1951; last week the National Assembly adopted, by an impressive margin, on a first reading, a Constitutional Reform Bill designed to strengthen the position of the prime minister and cabinet.

Its most important provision would do away with the system of "double investiture," allowing a premier-designate to form his cabinet and then face the Assembly in a single trial of strength instead of having to present himself and his cabinet on separate occasions. Secondly, the Bill reverts to the practice of the Third Republic in stating that a majority

of the deputies voting, and not of the total number of deputies, is sufficient to elect a Prime Minister. This would help make life less easy for those deputies who have toppled governments over by merely abstaining. Unfortunately, the Bill fails to provide for the same method of counting votes in the case of votes of confidence or votes of censure. This means that the interregna between cabinets would be shorter, but it does not mean that cabinets could be overthrown any less frequently.

The Bill also seeks to strengthen the position of the Senate by providing that a bill, within a hundred days of being sent to the upper house for the first time by the Assembly, may be referred back an unlimited number of times instead of only once. This gives the Senate far less than its pre-war veto, but it means that its amendments will get a more careful hearing. The new Bill also fires two shots at the Communists: it abandons the system whereby vice-presidents and other officers of the National Assembly must be chosen by proportional representation, and thereby weakens the position of the Communists on key commissions. Secondly, parliamentary immunity of deputies will now be limited to the period in which parliament is actually in session.

This Bill is essentially a weak compromise arrived at by the National Assembly in the face of mounting public criticism. It proposes the method of dissolving an ungovernable parliament, so that successive cabinets will remain at the mercy of political whims and cabals, with deputies more intent on keeping their jobs than on risking a decision by the electorate.

Release of Naumann

THE release of Naumann and Bornemann by the Karlsruhe constitutional court this week cannot be criticised on the grounds of pure justice. The two men have been in detention for many months, pending examination of the evidence, without sufficient reasons having been found for bringing a charge against them. This is in accordance with German law, which provides for "examination arrest"; but even in Germany there is a limit to the time that detained men should stay in prison. From the point of view of British justice, the affair has been confused and dubious from the start, as the dispute over Naumann's right to apply for a writ of *habeas corpus* showed. Even after the British washed their hands of the Naumann group by handing them over to the Germans, the affair continued to be full of complications. Its legal aspect again became doubtful when much of the material, including Naumann's diary, leaked out to the press a few months ago. The British papers did not touch it, as they considered the case *sub judice*, and in Germany itself, only the very boldly anti-Nazi *Frankfurter Rundschau* and the trade union organs gave extensive publicity to it. As Naumann may still, in theory, be charged it seems as if the restraint of the British press may have to be observed indefinitely. Some valuable evidence about German nationalism will therefore remain buried.

It cannot be said that the effect on German political parties of the original British arrests has come up to

expectations. The first shock woke up the leaders to the danger of infiltration, but the desire to win the votes of former Nazis in the coming elections and fears of party splits have prevented any effective reforms. Indeed, the groups that were most exposed to the influence of Naumann and his friends have remained unscathed and are putting up candidates in important seats.

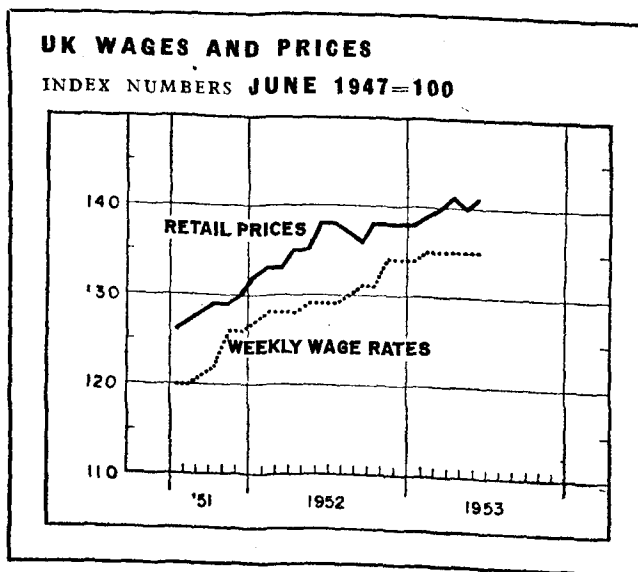
The value of the British move has, therefore, largely been lost. It is to be hoped that other means will be found to show up the essential fact about the danger from former Nazis: this is not that they are wild men who want to overthrow the present regime and set up a replica of the Hitlerite state, but that they are unrepentant nationalists who will try to use rearmament and American aid for reviving Germany's might.

Decision on Gatwick

LIKE sewage farms, gasworks, asylums, and other necessities of civilisation, airports are understandably unpopular neighbours; but like these they have to be sited somewhere, and their choice of site is very narrowly circumscribed by terrain and local climate. The Government's White Paper on London's airports, published last week, gives convincing reasons why the inhabitants of Gatwick and of the new town of Crawley, rather than anyone else, should endure the afflictions made necessary by the growth of London's air traffic.

Over the five years from 1947 to 1952 that traffic increased by nearly 60 per cent, and it seems likely to double its volume within the next decade. For the safe and efficient service on which London's status as an air centre depends—and with it, in the air age, an essential ingredient of national prosperity—reorganisation of the airport system is imperative. At present 90 per cent of London's air traffic passes through London Airport and Northolt. These are too close together to handle more traffic safely at peak periods; moreover when visibility is bad at London Airport it is bad at Northolt too. The first essential for an alternative is that its weather should be different from that of the main airport, so that the periods when both are crippled should be cut to a minimum. Other requirements are that it should have convenient and rapid access to London; that it should be near the main air routes converging on the capital (this means, effectively, a site to the south of London); that it should not complicate the air traffic control problems either of the main airport or of the RAF; and that it should disturb amenities and property as little as possible.

When all the possibilities within fifty miles of London had been examined Gatwick emerged as an unmistakable winner under all heads except, possibly, the last. Modifications of the original plan have reduced the disturbances, particularly the diversion of the main London-Brighton road; and, as the White Paper consolingly remarks, the very fact that Gatwick is an essential alternate or reserve ensures that it "will not be used intensively all the year round." The heavy initial cost (£6 million for the first stage of development) will be partly offset by the sale of Croydon and by an annual saving of some £450,000 on operating costs elsewhere; it will earn a certain amount in rents from



independent airline operators; and by cutting the costs of the air corporations and furthering the expansion of their traffic it will benefit the taxpayer, who now bears their deficits. The price of progress may be high, but it genuinely seems, in this instance, to have been kept as low as possible.

Workers in 1952

THE Ministry of Labour's annual report for 1952, published last week, sets out facts that are by now familiar. The working population in 1952 fell by 22,000 to 23,292,000. An increase in the number of male workers was more than offset by a fall in the number of women, mainly because some 27,000 left the textile industry during the recession.

Apart from an increase in the mining labour force of about 3½ per cent, the movement of workers did not follow the course that national priorities dictated. It was in accordance with the policy of disinflation that there should be a fall in consumer industries such as china and glass, paper and printing, and rubber. It was also a firmly stated intention that there should be reduction in the number employed by the central government. But it was not intended that there should be a fall also in transport and communications, or agriculture and fishing. And in spite of the defence programme, the labour force in the metals, engineering and vehicles group of industries remained about the same. Within that group there were, however, great differences. The aircraft and other defence industries gained workers. They did not gain as many as had been expected, in part because the defence programme was slowed down and in part because of the shortage of materials. At the same time, as both home and export markets became more difficult, employment fell and there was a good deal of short time in such industries as motor vehicles, textile machinery, tools and cutlery, hollow-ware, and certain electrical goods.

One sidelight brought out by the report is the difficulty of formal joint consultation, on which the present Minister of Labour has set great hopes of better human relations in industry and so of higher productivity. The report says that many committees were apparently functioning in a somewhat desultory fashion and some had ceased to function altogether. It adds, however, that this did not indicate a lack of progress because "more people in industry were talking about the value of informal consultation." There are examples of successful formal committees. But it has too often happened that the management has been unwilling (and not always for the wrong reasons) to discuss any real problems of policy with the workers and discussions have mainly been confined to minor questions of welfare. It often happens too that these are the questions that the workers' representatives are most ready and most competent to discuss. In industries where there is no tradition of joint consultation it may be better to encourage it informally on the shop floor between workers and their supervisors, rather than prematurely to set up a single formal committee which, by time-wasting discussion, may discredit a worthwhile attempt.

Mr Nehru in Karachi

IT is difficult not to be disappointed with what little has been allowed to leak out about the talks in Karachi last week-end between the Prime Ministers of Pakistan and India. This was the first time for several years that Mr Nehru had been to Karachi, the first formal and direct negotiation between him and the new Prime Minister of Pakistan, Mr Mahomed Ali, and the first occasion that Indo-Pakistani problems had been discussed on the spot at such a level since the critical days of the Bengal troubles in 1950. The setting was more favourable than anyone can remember at any previous meeting. There was no sense of crisis and no dominant problem demanding urgent solution; Mr Mahomed Ali's advent to power had changed the climate of official opinion in Pakistan; and both Prime Ministers had lately made cordial contact in London during the Coronation. And, as Mr Nehru said, the extraordinary friendliness shown by the people of Karachi towards himself had moved him deeply. Yet it appears that almost nothing tangible has come of the meeting; indeed, Mr Mahomed Ali has been unable to conceal his disappointment.

It is true that the Prime Ministers have parted on excellent terms and that they are expected to resume their discussions in Delhi in September. But the range of their talks and the inclusion of every important point of dispute outstanding between the two countries, from Kashmir to the enclave of Cooch Bihar, should have produced something better than the anodyne communiqué issued at the end of the conference. Unfortunately, no complete solution is possible for any of the other problems without a settlement in Kashmir. However much the general atmosphere may change for the better, the fundamental grounds for suspicion remain. Progress on individual matters, such as the removal of barriers to movement between India and West Pakistan, helps to improve understanding, but a deep old sore like Kashmir will need a long course of healing. Nevertheless, the fact that India and Pakistan are now further from the possibility of war than they have ever been is a great gain to the security of southern Asia and the stability of the free world.

The Harvest in Eastern Europe

THROUGHOUT Eastern Europe the harvest is in full swing and reports everywhere speak of a bumper crop. The Communist authorities always make a great song and dance at this time, but this year they seem even more zealous than usual. Nature's bounty must seem a providential opportunity to allay discontent in the towns by restocking the food shops; but the party is clearly worried lest the discontented and unco-operative peasants should prevent the crops from being safely and completely gathered in. Why else should the Czechs, for example, repeatedly insist that party members must not try to make out that there was no time for political work during the harvest period? On the contrary, it is said, mass political and propaganda work among the farmers is essential to convince them of the vital need to complete harvesting and delivery plans.

The authorities have also been taking more concrete measures to sweeten the peasants' temper. A number of minor concessions have been introduced throughout the Soviet bloc. In Hungary, for instance, all fines for failure to fulfil delivery quotas have been cancelled, and all those farmers who fulfil their current obligations promptly will have most of their arrears cancelled. In Rumania individual farmers are being allowed to keep a certain basic minimum of grain for domestic use before beginning their compulsory deliveries. In Czechoslovakia rewards are offered to farmers who deliver milk in excess of their compulsory quotas.

This compelling necessity to improve food supplies is leading the Communist leaders to woo the private farmers. Bierut in Poland has repeated Rakosi's emphatic statement that the individual farmer must be provided with fertilisers, machinery and every other incentive to produce more. This is a shift in emphasis, but it is not new and it does not imply any change in the long-term policy of collectivisation. According to Bierut, the collectives are to receive "more marked and more comprehensive help"; and throughout Eastern Europe the advantages of collectives continue to be extolled. From Hungary, where the regime has apparently gone furthest to meet the peasants' abiding hatred of collectivisation, have come the most categorical denials that the policy is to be abandoned. And it is likely that the Hungarian peasant will be heavily discouraged from exercising his new right to leave his collective farm; a recent decree which reduced the delivery obligations of collectives by 10 per cent, specifically excluded those members who were planning to go back to private farming. In short, the Communists are trying by some concessions to overcome their present difficulties without abandoning their long-term policy in the countryside.

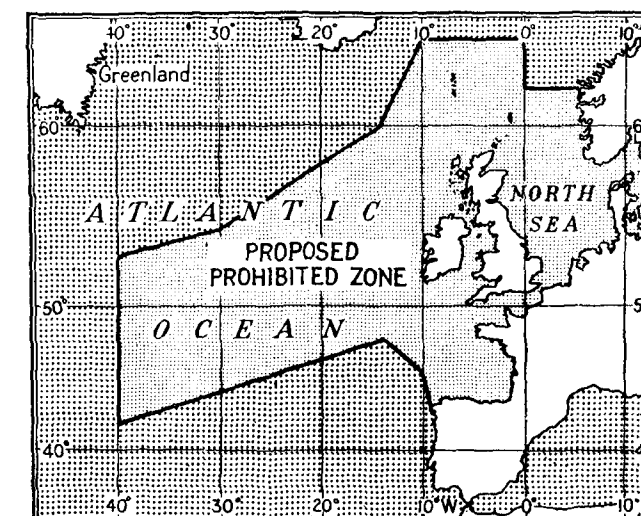
Oil on the Sea

THE committee inquiring into the pollution of the sea by oil, whose report was issued recently, makes far-reaching recommendations. Many of them require, to achieve their full effect, a degree of international agreement that has not hitherto been forthcoming in this matter. To keep British coasts reasonably unpolluted, it will be necessary to prevent ships, both dry cargo and tankers, from discharging "persistent oils" within a zone which in order to take account of ocean currents, will project some 1,200 miles into mid-Atlantic as far as the fortieth parallel of longitude. Yet even this is only a palliative; for the oily residues discharged from tanks appear to last almost indefinitely, and to keep the seas and coasts clean it will be necessary to devise disposal facilities at ports and chemical methods for use in ships. At present this prospect is remote; it would involve heavy expense and loading and unloading delays, while separators are as yet fitted in relatively few ships and are not always adequate.

Yet the problem is an urgent one. It was first tackled by the Oil in Navigable Waters Act, 1922, and by a series of international agreements, leading to a draft convention prepared in 1935 but never ratified. The cure has always lagged behind the disease as the cargoes of oil and the proportion of oil-fired ships on the high seas and in coastal waters have grown. Since the war, oil imports into Britain

and continental countries have rapidly increased and pollution with them. The result has been not only the spoiling of beaches but also a deplorable destruction of bird life; the committee did not enquire into its possible ecological effects. In addition, fishing vessels and fisheries, especially shellfish beds, have begun to suffer heavily.

Some losses of these kinds are the inevitable price of using and transporting oil; wrecks, for example, can hardly be prevented from emitting oil as their tanks corrode under



the action of sea-water. But the main evil is both serious and preventable, if a stringent code of behaviour can be enforced by an international body with jurisdiction far beyond the range of territorial waters for which national authorities can legislate. Unfortunately, not all countries which operate tankers possess a public interest in seaside holidays, which is the principle sanction of Government action. But it can well be argued that ships caught offending against a proper code of behaviour should be denied a share in the carrying trade to countries that suffer from their incontinence. Meanwhile, the need for research into chemical methods of dispersing persistent oily wastes is urgent.

Evasive Public Corporations

LORD JUSTICE DENNING had some sharp words to say this week about the liability of public corporations for damages for negligence, and on the shorter time limit within which they may be sued as compared to the time within which other concerns may be sued. Three years ago this week a man named Littlewood, an employee of British Overseas Airways Corporation, was injured in an accident while at work at London Airport. He claimed damages from the contractors, Messrs Wimpey and Company, Limited, and they in their turn claimed that BOAC was jointly liable with them. The trial judge held that both organisations were to blame, and assessed the liability of BOAC at one third of the total. But the proceedings launched by Mr Littlewood had not been begun until nearly two years after the accident itself, and BOAC raised the additional defence that, as a public corporation, they must be sued within one year of the accident or not at all. They relied, in short, on

the fact that the period of limitation, as it is called, although six years for a private concern, is only one year for a public authority. They cannot be blamed for raising the defence; it would be the duty of any auditor to criticise a public body which did not take full advantage of a provision in the law enabling it to resist a claim against it. But, as Lord Justice Denning pointed out, it is now four years since a committee of which Lord Justice Tucker was chairman found that this distinction between public and private corporations had lost its original validity, imposed injustice upon claimants, and ought to be amended.

The losers in this case are Messrs Wimpey. They could do nothing to formulate a claim against BOAC within the twelve months period because no proceedings against them were in existence. When the claim was made they brought BOAC into the action at the first available moment. They are now left with a court ruling that BOAC should pay one third of the total due to Mr Littlewood, but no means of enforcing that award. Yet BOAC would be the last to claim, in other circumstances, that it is anything but a trading corporation, striving as hard as it can to make a profit on its operations.

The anomaly arises from a provision of statute law and the courts can do nothing to remedy it. The stock parliamentary defence for not dealing with such situations is that the congestion of business is so great that no promise can be given to introduce an amending Bill. Yet it is not hard to think of several bills presented to Parliament in the last four years which have had less merit than a bill that would have amended the Limitation Acts. The implication seems to be that injustice has to grow to a certain size before Parliament can take any notice of it.

Benelux Rides Another Storm

At the darkest moment of Benelux's history the spirit of a sensible compromise, without which international agreements are useless, has steered it clear of the shoals; but the vessel is not yet set fair to the wind. Ministerial delegations, which met at The Hague on July 24th, have agreed on temporary measures to meet the present difficulties occasioned by intensive Dutch competition in Belgian markets. So far the detailed measures have not been finally agreed, but the broad principles are known. When production in one industry of a member country drops by a certain percentage, as a result of competition by the industry of another member country, a "crisis situation" exists and one or more of a battery of safeguarding measures come into play. These are known to include quotas, minimum price agreements, credits from a special fund still to be instituted, and finally, reimposition of import duties.

Whereas the crisis situation is defined by a formula that works automatically, the measures to be applied have to be agreed on; there is also provision for arbitration. An inter-parliamentary council, composed of fifteen members each from Holland and Belgium and five from Luxembourg, will, if the agreement is ratified by the three parliaments, constitute the final authority. On the Dutch insistence the measures are clearly defined as temporary and specific, and are subject to review after six months by the inter-

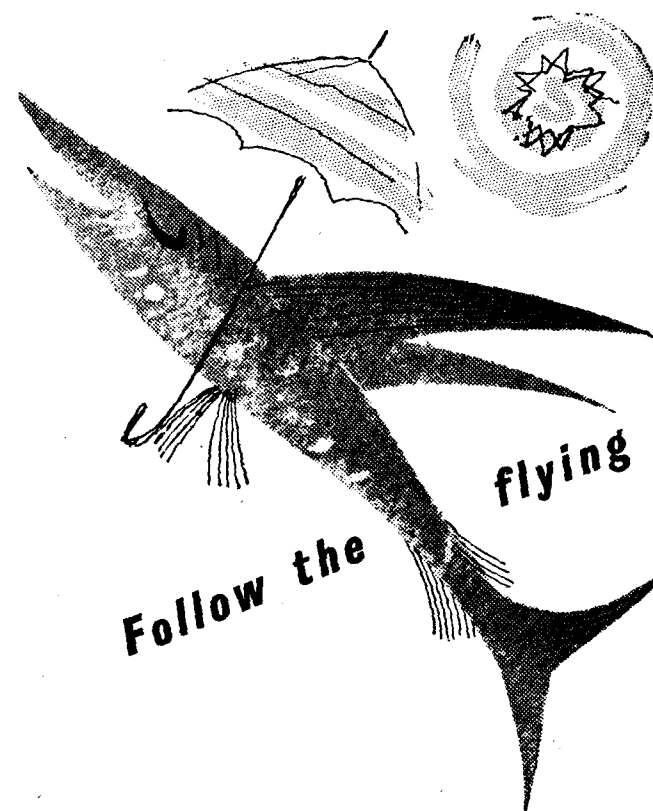
parliamentary council. Thus the conflict between the Dutch view, which blames the high costs of Belgium's industry, and the Belgian view, which blames low Dutch wages, has been resolved in an honourable draw. The agreement makes no mention of means to raise Dutch wages; nor, except for a pious suggestion of a joint productivity council, is there any pressure on recalcitrant Belgian industries to modernise themselves.

In practice the new agreement might work out rather better than the terms suggest, for the difficulties of Benelux have never been on a national scale; they have tended to be exaggerated by the sectional interests concerned. If each complaint is treated separately on its merits and corrective action is adapted to each need, the spirit of Benelux may be saved from blind condemnation by public emotion whipped up by interested parties. Public opinion polls still show that there is widespread enthusiasm in all three countries for the idea of a Low Countries union. If that is to be realised, permanent machinery must be set up to deal with the fundamental difficulties of bringing their economic policies and fiscal measures into line.

Jugoslavia's Troubled Borders

JUGOSLAVIA continues to receive conciliatory gestures from its Cominform neighbours. Rumanian and Yugoslav representatives arranged to meet last Sunday to discuss the formation of a joint commission to investigate and settle frontier disputes; it is just over four years since the first abortive attempt to set up this commission was made. Earlier this month Bulgaria agreed to set up a similar mixed commission; and shortly afterwards Hungary followed suit. The Yugoslavs are accepting these gestures for what they are worth. But they have no illusions that they represent a radical change in the Cominform's attitude towards them. To halt the war along Yugoslavia's frontiers would be as much to the satellites' advantage as to Yugoslavia's, even though it might to some extent facilitate the flight of refugees into Yugoslavia. Nevertheless, the Yugoslavs evidently feel that no opportunity should be lost to test and measure the reality of the apparent changes in Soviet policy.

Of Yugoslavia's Cominform neighbours, Albania alone now continues to maintain its former uncompromising attitude; indeed, in recent weeks the situation along the Albanian-Yugoslav frontier seems to have been even more strained than usual. It is possible, however, that the Communist regime in Tirana will now fall into line with Moscow's latest policies. It may be significant that last week it underwent a reshuffle which appears to have been designed to make it accord more closely with Moscow's present ideas of "collective leadership." One of the two chief Albanian Communist bosses, Enver Hoxha, has retained the premiership, but lost the portfolios of defence and foreign affairs; while the other, Mehmet Shehu, has kept the ministry of the interior, but ceases to be secretary of the Central Committee of the party. On the other hand, the recent Yugoslav-Greek-Turkish declaration guaranteeing the independence of a non-Communist Albania, may make the Albanian Communists feel obliged to foster the feeling that the country is surrounded by implacable enemies.



Leave Britain to the raincoaters,
the snowbooters, the sneezers.
Spend this winter in sunshine on tropic seas.
Gain a month of pure delight, comfort,
full freedom from care. See Casablanca,
Teneriffe, Rio, Madeira and Lisbon.
Join the beautiful Empress of Scotland and
journey round the South Atlantic.

From Liverpool 15th December. From Southampton 17th December
and calling at Cherbourg. Returning to Southampton 18th January 1954.

Complete information from authorised travel agents or

Canadian Pacific

Trafalgar Square, W.C.2. (Whitehall 5100) 103 Leadenhall Street, E.C.3.
(Avenue 4707) LONDON and offices throughout Britain and the Continent.

If you are building for the future in CANADA Taylor Woodrow can minimise your dollar expenditure

To aid industrialists contemplating constructional projects in Canada, Taylor Woodrow offer a free service of advice, and welcome the opportunity of discussing your building problems with you.

It is possible for the preliminary planning service to be paid for in sterling and your factory built efficiently, economically and with expedition.

Consult Taylor Woodrow on your building schemes and obtain details of their 'Turnkey' contracts for Canada and overseas.

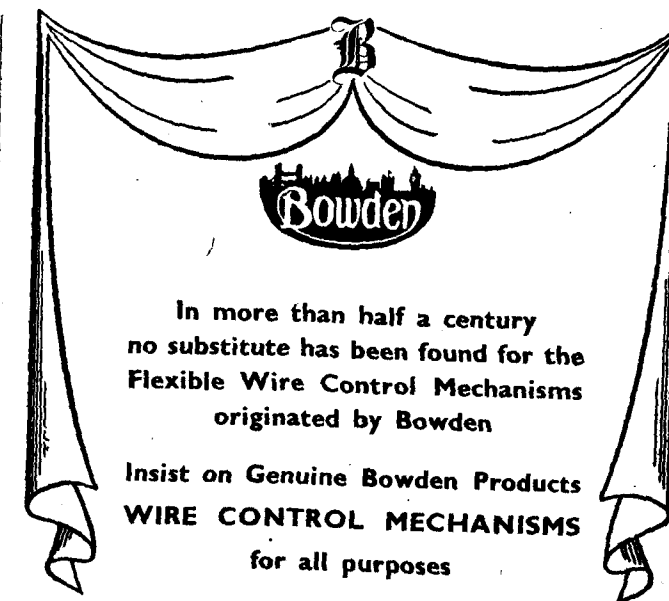
Throughout the Free World

TAYLOR WOODROW

BUILDING AND CIVIL ENGINEERING CONTRACTORS

are Building for the Future

10 PARK STREET W1 GROSVENOR 8871



In more than half a century
no substitute has been found for the
Flexible Wire Control Mechanisms
originated by Bowden

Insist on Genuine Bowden Products
WIRE CONTROL MECHANISMS
for all purposes

FLEXIBLE HOSE UNITS
for use on jet and piston engined
aircraft and all hydraulics

Bowdenex Bowdenite
Bowdenflex

BOWDEN (Engineers) LIMITED, LONDON, N.W.10



Only four days from
London to Australia!

Save time on your next Australian trip! Fly from London to Sydney in only 4 days on the direct Kangaroo route. Same ticket, same airliner all the way. Six flights weekly. Fully-pressurized, 4-engined Constellations. Fares (£294 single, £529.4.0 return) include hotel accommodation at scheduled night-stops. All meals and mealtime drinks in flight are free; no tips or extras.



Consult your local B.O.A.C. Appointed Agent or B.O.A.C., Airways Terminal, Victoria, S.W.1 (VICtoria 2323) or 75 Regent Street, W.1 (MAY 6611) or Qantas, 69 Piccadilly, W.1 (MAY 9200). Also B.O.A.C. offices in Glasgow, Manchester, Birmingham and Liverpool.

FLY "B.O.A.C." AND QANTAS

BRITISH OVERSEAS AIRWAYS CORPORATION
WITH QANTAS EMPIRE AIRWAYS LIMITED

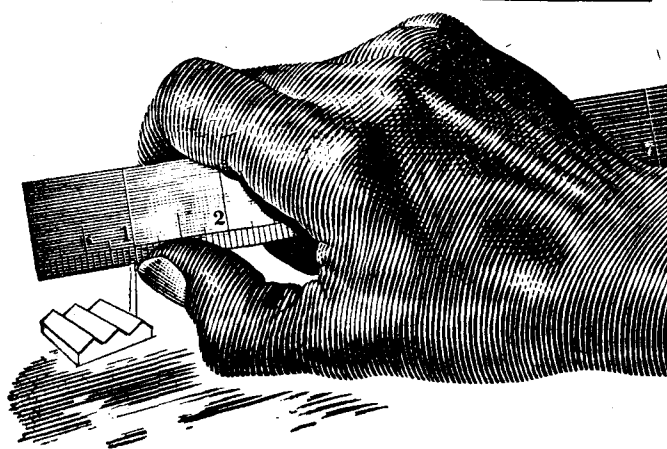


August

Thousands will be taking their holidays this month. Among them will be many of our customers, who will be helping themselves to enjoy carefree holidays by leaving their valuables in safe custody at the Midland Bank and by making arrangements to cash their cheques at branches away from home.

MIDLAND BANK

OVER 2,100 BRANCHES TO SERVE YOU



Too small? . . Are you SURE?

Size is illusory. But we don't want to get metaphysical—we just want to get your business. In Hollerith Punched Card Accounting, the yardstick is not physical size, but number of accounting transactions. Have you ever counted the number of transactions your counting house handles in a week—a year? We wager that before you'd recovered from the shock you'd have lifted the receiver and asked us to call—to see whether (and how) Hollerith could help you. This move would cost you nothing.

THE BRITISH TABULATING
MACHINE COMPANY LTD

Head Office:
17 Park Lane, London, W.1
Telephone: HYde Park 8155
Offices in all principal cities in Great Britain and Oversea

HOLLERITH
Electrical PUNCHED CARD
ACCOUNTING

E/535/135

Letters to the Editor

Trading with Mao and Malenkov

SIR—A letter from Mr Carl P. Blackwell of Washington, DC, in your issue of July 18th challenges the accuracy of *The Economist's* statement that the United States bought \$28 million worth of goods from Communist China in 1952. A substantial portion of this merchandise, Mr Blackwell says, although of Chinese origin was purchased from other countries after being held in inventory outside China for an extended period.

No such refined distinctions are made by the US Department of Commerce, of which Mr Blackwell is an employee. The Department's Business Information Service for March, 1953, published a series of trade statistics under the title, "United States Trade with European and Asiatic Countries in the Soviet Bloc." In the column showing US imports for 1952 we find the item: "China, including Manchuria . . . \$27,806,000." In fact *The Economist's* use of this figure is in complete accord with the "country of origin" classification traditionally used by the Department of Commerce.

Mr Blackwell's letter omits a couple of relevant facts. The purpose of the US Treasury's Foreign Assets Control Regulations of December 17, 1950, was to prevent American economic relations with Communist China. Those regulations prohibit import of Chinese goods except under licence by the US Treasury. Yet the Treasury in 1952 granted one exemption after another from this ban because certain Chinese products were wanted for American stockpiling.

Mr Blackwell may find it inconvenient to have attention drawn to these facts. They seem to make it inappropriate for Senator Joseph McCarthy and others to become quite so apoplectic about the restricted commerce which a number of non-communist countries continue to conduct with China.—Yours faithfully,
Washington, DC

FREDERICK KUH

The Market in Oil

SIR—The article "The Market in Oil" in your issue of July 25th raises the pertinent question to what extent the prices for crude oil and finished products in the Eastern Hemisphere are—or should be—dependent upon developments in the USA. By looking at two specific problems involved one can perhaps carry these considerations one step further.

During the last few years the idea became generally accepted that for Middle

East trade the US was the marginal market which would tend to determine the price for the crude. This means that Middle East crude would sell to any destination at a price higher than was its laid-down value in New York less transportation. The collapse of the tanker freight to half the "standard" USMC level, combined with the recent increase in American crude oil prices, raised this "netback" at the Persian Gulf, and it is worth considering what repercussions this might have on the bulk of the exports from that area. In 1952, of a total of 85 million tons exported from the Middle East only just over 7½ million tons went to the USA; the balance—except for small quantities shipped to South America—remained in the Eastern Hemisphere. In a freely competitive market would the prices for the Eastern Hemisphere supplies now continue to reflect the netback from sales to the USA? This would certainly be the case if the volume of sales to America could be expanded at will, because then it would be left to the seller to determine whether he wants to place his crude in the Western or Eastern Hemisphere. However, since the scope for sales in the USA is limited to a certain maximum, even in the absence of an official quota system, the competitive position in the Eastern Hemisphere would make itself felt independently. At a time of ample supplies the several sellers will endeavour to get as much business as they can, and it is quite conceivable that the netback from sales to Europe or to the East might for some time become lower than that theoretically obtainable for the limited sales to the USA. This is one more reason why the concept of a unified world market price has become less tenable of late.

Another relevant point is the development of finished product prices in Europe. The recent price adjustments in the UK and some other countries were still based on the idea that any change in the USA, as expressed in Platt's Oilgram "Low" quotations, was immediately applicable elsewhere. It has since been pointed out that the pattern of consumption in Europe is different from that of the USA and that—with the local refineries' capacity now equal to demand—the relative prices of the three main product categories may reasonably be determined by the conditions of the markets which these refineries serve. It has been suggested that in these circumstances regular motor spirit would become cheaper and gas oil, which is short, may go up.

But during the last few days gas oil prices have fallen in the States (losing

almost all the increase which followed the crude oil rise) whereas those of motor spirit are unchanged. This is the result of seasonal and local surpluses in America of gas oil and related products which have nothing whatsoever to do with the European trend, which goes in the opposite direction.

Both these aspects show that most of the principles on which the oil companies have hitherto based their price systems are now subject to revision and that a new orientation cannot be delayed much longer.—Yours faithfully,
London, W.1

P. H. FRANKEL

Jerusalem

SIR—In the note of the week in your edition of July 18th, you suggest that scholars, journalists, and others who move around could turn trips from Israel to Transjordan and *vice versa* into an everyday occurrence and could thus help to counter the untrue tales which each side believes of the other.

This is all right in theory. But whilst the Israel authorities are willing to allow tourists and travellers to pass to and from Israel reasonably freely, the Hashemite authorities in Jordan are alone among the Arab states in allowing travellers, unless they are of Jewish origin, to cross the frontier with Israel, or more accurately to pass through the barbed wire fence at the Mandelbaum Gate into the Old City of Jerusalem. Even they, however, will not allow travellers except exceptionally (I was an exception) to enter Jordan and return again to Israel, and they must normally leave Jordan by another route. All the other Arab states are totally intransigent.

Anyone on a Middle East tour wishing to visit Israel and the Arab states must either leave Israel through the Mandelbaum Gate in Jerusalem or return to Cyprus before continuing his journey.—Yours faithfully,
London, S.W.7

V. C. B.

Uphill Fight for Fish

SIR,—I welcome your Note of the Week in the issue of July 25th. Its tenor accords with that of the recent Cairncross Report which, though rejected by the Government, is designed, *inter alia*, to arrest the decline of fishing and other communities; to conserve natural resources that are in danger of being wasted; to prevent the waste of material and social assets; to make fuller and more economical use of man-power; and to accelerate the growth of new industrial communities in Scotland.

A freight equalisation plan is essential to preserve the more distant British ports. The services of Scottish fishermen are highly valued in time of war but their communities are penalised almost to extinction by high freight charges in time of peace. For reasons of strategy as well as justice, the North of Scotland should be treated as continuously part of the United Kingdom.—Yours faithfully,
House of Commons, S.W.1

HECTOR HUGHES

Books & Publications

The Ethics of Organisation

THE ORGANISATIONAL REVOLUTION.

By Kenneth E. Boulding.

Harpers (Hamish Hamilton). 286 pages. 25s.

THIS book, which forms part of the Federal Council of Churches' series on Ethics and Economic Life, also falls into place among a sequence of works—Thurman Arnold's "Mythology of Capitalism," James Burns's "Managerial Revolution," Peter Drucker's "Big Business," and "The New Society"—all concerned with the internal and external politics of large economic units and all coming from America. The "organisational revolution" is a much more striking phenomenon in the supremely individualistic United States than in an "Old World" historically familiar with guilds, monopolies, chartered companies and corporations; and the logic of its development, though equally valid elsewhere, is correspondingly clearer to an American observer.

Unlike most explorers of the borderlands of social disciplines, Professor Boulding is a highly qualified economic theorist. There is little overt theory in "The Organisational Revolution," but the economist's-eye view of the social and technical changes involved, whether as cause or as effect, has certain advantages over that of the impatient sociologist or historian rebelling against the abstractions of marginal analysis. Concentrating on the human relationships, the divisions of loyalty, the particular and general responsibilities, and the consequent ethical problems, arising from the growth in the number, size and power of organisations, Professor Boulding never loses sight of the economic forces which have contributed to shape or limit that growth and which it has in turn generated or modified. His book consequently has a solidity and realism often lacking in political and ethical discussion.

Politically he is a pluralist, welcoming both the dispersal of powers by the market and the balance of powers provided by a multiplicity of organisations. Indeed, he prefers the constant push and pull of special interests, within and without representative government, to the confrontation of homogeneous political parties. When each party is the monolithic embodiment of a coherent set of principles, "conversation among the parties ceases, or degenerates into mutual shouting or speechmaking . . . once the train of thought has reached a terminus, everyone might as well get off." The essence

of democracy is discussion. "Dictators arise because men get tired of the wearisome process of discussion, and want a quick answer . . . the dictator himself becomes insulated from discussion." That is his weakness; for "he sits in a dark room watching the world through what he thinks is a television set, but is actually an old movie made out of his preconceptions"—and so has no means of correcting his mistakes. The problem of organisation, whether in the large group or the small, is the problem of mutual communication. "Love," says Professor Boulding tersely, "is no substitute for organisation and does not itself constitute an answer to the problems which organisation tries to solve"—though he adds a little later that organisation, the Letter, is no substitute for love, the Spirit.

General discussion of the ethics, the politics and (briefly) the economics of the organisational revolution is followed by a number of percipient "case studies" (the labour movement, the farm organisation movement, and others); and a final summary leaves the reader with some salutary but disquieting thoughts about the fruits of a morally neutral social science. Then follows an unusual feature: a substantial though sympathetic critique by Professor Niebuhr, against whom Professor Boulding in turn defends himself with firmness and courtesy, and a selection of other, more technical comments and rejoinders. "The discussion," Professor Boulding concludes, "is now launched." Some measure of his book's power to stimulate is provided by the intensity with which one wishes for contributions to that discussion, not only from Professor Niebuhr, but from, say, Lord Russell, Professor Röpke, Mr Aldous Huxley, Mr Aneurin Bevan, Mr Adlai Stevenson, and Mr Nehru.

Locke's Journal

LOCKE'S TRAVELS IN FRANCE, 1675-9.

Edited by John Lough.

Cambridge University Press. 309 pages. 40s.

IN the winter of 1675 John Locke went to France for the benefit of his health. He was soon expressing delight at his escape from the English climate, remarking of Montpellier, where he stayed for more than a year, that "Winter makes but little excursions into the vale of this country, and if I were to draw his picture, he should not be crowned with turnips and carrots,

but with violets and jasmine studded with olives." From Montpellier he made extensive tours of Provence and explored parts of the Mediterranean coast. His stay in France was prolonged for a further two years, for he became tutor to the son of a London merchant, and spent a year in Paris before setting out on a final tour which took him down the favourite travel route of the Loire.

Throughout these years Locke kept elaborate journals or notebooks, in which he entered not only details of his travels but also philosophical dissertations, notes for a Utopia, and much material relating to meteorology, medicine, the Bible, currency, weights and measures. Professor Lough, who has mastered Locke's difficult shorthand, now presents a scholarly edition of the travel entries of the journal. As he says, "our text is not the work of a mediocrity or nonentity; it is the Journal of Locke"; and it is to be regretted that the timorousness of publishers has denied us the opportunity of seeing the full journal as Locke wrote it, his powers of observation and intelligence playing over the whole field of politics, religion, technology and speculation.

Locke never intended his journal for publication, and what we are given here is necessarily uneven in interest. Many entries are only laconic jottings of travel expenses or rough notes on industrial processes. He had little gift for the description of places or the visual arts, but was keenly interested in the political and social structure of France, then subject to such rapid changes. In a letter to a friend, Locke once expressed his distrust of general theories, saying, "it is more easy to build castles of our own in the air than to survey well those that are on the ground." Just how literally he meant this it is now possible to see, for Locke was ceaselessly pacing out the dimensions of every building and garden he visited. His cool, empirical temper of mind, his passion for exact measurement and his concern for the welfare of the individual admirably fitted him to observe and record the progress of the French state towards totalitarianism. He notes an edict forbidding the teaching of Cartesian philosophy, remarks upon the docility of the local estates, and shows a constant concern for the fate of the Huguenot minority. He criticised historians for concentrating on wars and conquerors, and himself took pains to investigate the condition of the French peasantry. He was aware too of the new power of the French state; and he attended army reviews, inspected Colbert's new industries and paid special visits to the new naval ports and the great arsenals.

But even in these notes there is more than the dry record of social statistics, architectural measurements and accounts of industrial processes. Of Louis XIV's fountains at Versailles he remarked, "He may well be made merry with this water since it hath cost him dearer than so much wine, for they say it costs him

3s. every pint"; in Avignon he saw "a plain old chair wherein the Pope was infallible," and adds, "I sat too little a while in it to get that privilege." His modern outlook, his wide curiosity and his meticulous accuracy of statement make these excerpts a most valuable study of the France of Louis XIV and an even more valuable record of the mind and personality of a great figure in European thought.

Living Together

SOCIAL PSYCHOLOGY AND INDIVIDUAL VALUES.

By D. W. Harding.

Hutchinson's University Library. 184 pages. Price 8s. 6d.

A BOOK of this kind must be difficult to write. People, after all, are more or less expert practitioners in the art of living together, and social psychologists cannot yet tell them much that they do not know already. Many books on social psychology either try to conceal this fact by translating ordinary experience into rather pompous jargon or else they appear trite. Professor Harding escapes both of these pitfalls. He escapes the first by providing not a systematic treatise, but a series of loosely connected essays on social psychological topics; and he escapes the second by being always sensible and often penetrating. In order to say something worth while in such short space he has to make some demands of his readers, and a few technical terms slip in, most of them derived from the clinical field. But many such terms have been passing into current use during the past twenty years or so, and the ordinary man is probably wrong in supposing that it is still possible to express all we know about human behaviour in the language of ordinary conversation.

To be adequate to his theme Professor Harding must find a way of treating value and fact neither as a Utopian with a programme nor as a disinterested intelligence surveying the human scene from a safe distance. He may tend towards the latter, as becomes a scientist, but he remains concerned in the outcome of the processes he describes. The values he expresses, generally by implication, are those for which the word "democratic" was once appropriate. For "progress" the phrase "possibilities for growth and change" might be better, and for "freedom" we might read "opportunities for individual development and expression"; but his values are the values underlying our society and none the worse for that. A point he makes clear is that they are closely interwoven and that one cannot exist without the other. His account in chapters 10-13 of the dynamics of social change brings this out clearly.

Some people may, perhaps, make one criticism. Professor Harding, himself so reasonable, tends to think of others as perhaps more reasonable than in fact they are. He gives, it is true, some weight to the findings of psychoanalysis, but his human beings seem more in

command of their destiny than the clinician, or indeed the anthropologists, would allow. His point of view here is at least refreshing, though it may not be fashionable.

All in all, this is a stimulating little book which any thoughtful person will find both worthwhile and possible to read.

A Young Profession

SOCIAL SERVICE AND MENTAL HEALTH: An essay on Psychiatric Social Workers.

By Margaret Ashdown and S. Clement Brown.

Routledge and Kegan Paul. 260 pages. 16s.

THIS description of the psychiatric social worker's selection, training and career should go far to dispel the misconceptions that still surround this emergent profession. Such a clear-headed and dignified account allays any suspicion that this type of social work is concerned with woolly-minded theories or potted psychiatry, clothed in tiresome jargon.

The book describes the growth of the profession during the last thirty years, showing how it emerged from the stern test of the war changed but broadened in outlook and firmly established in the world of medicine and social work. The method of selecting candidates is fully dealt with, and emphasis is laid on the type of personality most likely to give and to find satisfaction in the work. This is followed by a critical discussion of training in the light of information gathered from a group of workers who were trained between 1935 and 1939. The authors have studied the worker's progress from her selection as a student throughout her career and have devoted a chapter to personal difficulties. These may sometimes make the training an anxious experience, but with the help of the right supervisor such difficulties may themselves be turned into valuable assets for the worker.

A psychiatric social worker should have "the ability to imagine truthfully the experiences of other people, even though they may be very different from her own, and the readiness to accept these differences." Given this realisation of the range of possible experience, the authors are of the opinion that "there is no end to the possibilities of developing her sensibility." Such an attitude enables the worker in child guidance to win the confidence of a mother in order to guide her through her own and her child's difficulties while the latter is being treated by a psychiatrist. Again, in the mental hospital it enables her to give support and understanding to anxious relatives or perhaps to the disturbed out-patient himself.

The authors also discuss the relationship between psychiatrist and psychiatric social worker. If certain charges of arrogance, or of attempting treatment beyond her scope, have been rightly levelled at her, these have been counterbalanced by a tendency on the part of some psychiatrists to consider her little

more than a dogsbody for making social investigations and adjustments that are strictly practical. Such an attitude sets limits to her work which her specialised training has not taught her to expect.

Every profession which aims at helping to alleviate human suffering or to meet human needs works towards its own extinction.

But this could only happen when general social work becomes permeated with the principles underlying psychiatric social work. Even then the authors suggest that this would not mean the end of the profession as a specialist service.

Gifted European

THE STORY OF AXEL MUNTHE.

By Gustaf Munthe and Gudrun Uexküll. John Murray. 216 pages. 18s.

AXEL MUNTHE was a Swedish citizen; he wrote in English, sought British nationality and established his family in England, and he and his sons served with the British forces in two world wars. He qualified and practised with renown as a doctor in France, but chose Italy as his land of heart's desire where he finally created his island fastnesses of San Michele and Matera. This gifted European was a connoisseur of art and music and a devotee of the art of living; a servant of the unfortunate; the protector of exploited birds or beasts; and, above all, master of an inner kingdom of fantasy which absorbed him more and more as his increasing blindness precipitated his withdrawal from the world.

Most people cherish a conception of their possibilities which they blunderingly try to impose on their fellow men; but very few achieve this human desire with a charm of wit and gallant audacity that gains instant sympathy in every part of the world. This is what Axel Munthe did with his "Story of San Michele"; and with "The Story of Axel Munthe" two well meaning but disparate biographers, who knew him when he was old and failing and querulous, give us a peep behind the scenes after the curtain had fallen on his unique career.

Their collection of random reminiscences will doubtless be welcomed by the countless readers in many countries who constitute a Munthe cult; but discriminating admirers will find little to enhance and much to obscure the brightness of the original picture. Gustaf Munthe, a distant cousin, treats his subject with detached commonsense and slightly wary sympathy. This is an astringent antidote to the saccharine adulation of Gudrun Uexküll, whose gossip revelations remind one of the chatter of initiates at a much visited shrine or the embarrassing exuberance of a fond mamma showing off her ewe lamb in the drawing room. Perhaps the most interesting part of the book is the flashlight on the unusual aspect of Munthe as a family man, given by his son, Malcolm, in an introduction that is a model of brevity, tact and clarity.

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.

Eisenhower's Armistice

Washington, D.C.

IF the armistice in Korea had been put through by Mr Truman and Mr Acheson there would have been calls for their impeachment throughout the country, said Senator Paul Douglas, the liberal Democrat from Illinois, last Sunday. Although the Senator was using this statement as evidence that the truce may prove to be disastrous, he was perfectly correct. Nothing has been more striking in the weeks that President Syngman Rhee has been playing cat and mouse with the United States, the United Nations command and the peace of the Far East than the remarkable shift in the attitude of American opinion, not only towards the Korean war, but to South Korea as well. The Americans, so like the nineteenth-century British in this respect, have in this century acquired a passionate respect for nationalism in small nations which do not threaten America's own security. Thomas Masaryk obtained his strongest backing in the United States, and General Chiang Kai-shek became a much more important figure, personally, when he commanded nothing more than a beleaguered Formosa than when he ruled the whole of China; in a different sense Pandit Nehru was more of an American hero when he was struggling to assert the independence of India than after he became the ruler of two-thirds of a subcontinent.

President Syngman Rhee has been a close student of American politics and manners. He is a graduate of two of the great universities and lived in Washington for many years between the wars. He probably knows the American official and political mind as well as any non-American. In the first two and a half years of the Korean war he had as magnificent a build-up in the American press, as a patriotic and brave old man struggling doggedly for the freedom of his country, as his most assiduous lobbyists could possibly have desired. In one sense or another various influential Americans, Generals MacArthur and Van Fleet, Senator Knowland, and several mass circulation newspapers have supported his position that anything less than a unified Korea would be disastrous, and that the compromise on which the armistice is constructed represents a defeat for the free world. President Rhee thus had all the makings of an American hero and yet he has not become one.

The only explanation that is readily available for this is that, in the problem of South Korea and its future, the United States has been confronted for the first time with a situation—as perhaps the British were, in their support of Turkey, by the hardships of the Crimean war—in which national aspiration and autonomy can no longer be cheered

on from the sidelines, but must be either subjected to higher ends or sustained by a continuing drain of American blood accompanied by the constant prospect of world conflict. The American people seem to have come round to the view of the outgoing chairman of their Joint Chiefs of Staff, the wise and gentle General Bradley, that the full-scale war in the Far East, which would be the logical consequence of adopting Mr Syngman Rhee's position, would be "the wrong war, at the wrong time, in the wrong place." It is clear that the mail which Congressmen and Senators have been receiving has contributed powerfully to their reticence on this subject and even Senator Knowland has only intermittently raised his voice to espouse the cause of President Rhee.

★

Yet it would be wrong to suppose that the United States has concluded an armistice in Korea and refused to support the full fantasy of South Korean demands simply because it is tired of the shooting war, or in deference to the clamour of its "pusillanimous allies." Even General Wedemeyer, once the advocate of a tough policy in Korea, said last Saturday that the United Nations should sign a truce in Korea now

and then get out and stay out. Apparently competent authorities have decided that going on and winning the war in the American tradition would be prohibitive.

Only the Hearst and Scripps-Howard papers, coupled with the columnist Mr David Lawrence, the Colonel Blimp of contemporary American journalism, have seriously suggested that the United States should have sided with Mr Syngman Rhee. The truth seems to be that, if American opinion as a whole ever did believe in General Wedemeyer's "tradition" of total victory as the only solution to any international problem, then it seems to have changed its mind.

Nothing contributed more to General Eisenhower's victory in the election of last November than his assurance that he would end the Korean war, and no better piece of work has been done by President Eisenhower since he assumed office than his repeated insistence, both publicly and privately, that a diplomatic solution is more desirable than a military solution for any international problem. Among all the other disappointments and failures of the first six months of the new Administration, great credit must be given to both Mr Eisenhower and Mr Dulles for the way in which they have driven the Korean *troika* of Mr Syngman Rhee, the American Congress and the Com-

munists—and, if a four-horse sleigh is conceivable, of the allies too—while throwing only minor titbits to the wolves. As Senator Douglas said, such an attempt would have led to the impeachment of the previous regime. The Republicans, just because they are the supposed exponents of a tough American attitude towards international affairs, can resort to diplomacy more readily than their predecessors, who had always to prove that they were not the heirs of Yalta and Teheran.

When the news of the cease fire reached the United States last Sunday there was no Mafeking night, no wild throwing of caps in air, despite the fact that American casualties in Korea had been unusually heavy in the weeks preceding the signing of the armistice. If there is any disposition towards an attitude of "get the boys back home," there is virtually no indication of it in the mail of those responsible for analysing such matters at the State Department and the Pentagon. Mr Wilson, the Secretary of Defence, at his press conference last week, indicated that an end to the Korean war might mean a lowering in conscription calls of as much as two-thirds within ninety days of the Korean cease fire. But this is taken by officials with the grain of salt that they habitually apply to all Mr Wilson's statements of fact; such a reorganisation will depend on the withdrawal of at least two American divisions to Japan, which in turn may not be ordered for many months, or until the outcome of the political conference is known.

Mr Wilson's statement was in fact unnecessary if his aim was political popularity, for it is clear that once the actual fighting ends American popular opinion will support the occupation role of the American forces in Korea with as little fuss as it does those in Germany. The couplet that Professor Denis Brogan attributes to an American friend of his, that

American boys are not like any others;
Only American boys have mothers,

may or may not be true, but certainly those mothers will feel very differently about their sons being posted to a Korean occupation force than about their being sent to active combat there.

★

There are immense pitfalls ahead. There has been only the haziest thinking in the State Department about the position which the United States will take at the forthcoming political conference on the future of Korea, whether it should really aim at a general settlement of the Far East, whether the United States will really make a *démarche* on the political unification of Korea, whether an attempt will be made to settle the Indo-Chinese and Malayan questions at the same time. The haziness is due to the fact that the senior members of the Administration have been fully occupied with the day-to-day problems of achieving the truce itself in the intervals of attending to the requests of one congressional committee after another. All that can be said is that, with Congress about to depart to tap its grassroots, and with the immense relaxation in the tension of American life that will follow from the cease fire, the Administration will for the first time since it took office have the opportunity—if it takes it—to do a little fundamental thinking about the relation of the United States to a Far East which is no longer within the jurisdiction of the New England missionary or the San Francisco merchant.

Summer Students

FROM OUR SPECIAL CORRESPONDENT

THE range and variety which characterise higher education in the United States flower to their fullest extent in the summer schools. Held by regular colleges and universities, these sessions attract Americans of all ages, from the tired elderly professor to the two-year-old whose manner of making mud pies provides the subject of a thesis for the seeker after a degree in education. Summer courses satisfy that aspiration for learning which has been noted by so many observers of the American scene; they also lead to better jobs. Their subject matter ranges from archaeology and butter-making, through military science and music to a closer acquaintance with Xantippe, running the whole gamut of American cultural and professional ambitions.

A great many people go to summer sessions who do not regularly attend colleges and universities, but perhaps for that very reason the available statistics are few. The federal Office of Education recognises 2851 institutions carrying on what it calls higher education, which have a resident student population of more than two and a half million men and women. Some of these institutions offer four regular terms a year, but most of them follow the older system of leaving the summer free as a supposed compensation for low professorial pay. Into this summer holiday, however, many colleges now interpolate an extra term, or even two, if, like the University of Chicago, they can draw a large and ambitious population. At these the underpaid professor may give up leisure in order to teach and earn more money.

Of the two and a half million students enrolled in colleges and universities, a scant third (943,212 in 1949) go to summer sessions. These seek either to make up past deficiencies or to shorten the time spent at college by working all year instead of only three-quarters of it. The ordinary college course leading to a bachelor of arts degree, or its equivalent in other fields, takes four years. By steady attendance at summer school six months or even a year may be cut from that schedule.

These regular students make up only a fraction of the summer seekers after light. The next great group comprises school teachers who go to refresh their minds, to catch up on the latest teaching theory, or to move one more inch along the road leading to a higher degree. Courses in education form the greatest common denominator in these summer sessions; they are popularly supposed to be attended primarily by spinster school teachers secretly hunting husbands. All that the observant doubter can say with certainty is that, if this be true, the spinster school teacher is better looking than she used to be.

Finally, there is a great number who cannot be classified, who go to seek culture, amusement with an intellectual aura, advancement in professional skills, or romantic opportunity. They may study book-keeping, Chinese art or naval logistics, they may lead madrigal singers or jump off high diving boards. Any of these studies seems justifiable at summer school. As a teacher of business methods put it in urging a two-weeks course on intensive operation of business machines,

there you meet your own kind of folks, you have a marvellous vacation, you learn solutions to your problems, you may find a husband, you may get a better salary.

You may, in other words, follow and gild the American dream.

Just how the colleges arrange their various six-week versions of the best of all possible worlds can be seen in their catalogues. Harvard University, for example, has offered summer courses in the arts, sciences and education ever since 1871, with the exception of four years during the last war when only the Graduate School was open during the summer. Harvard serves students working toward a degree, students not working for a degree and auditors, commonly known as "culture hounds," who merely want to listen. Even this staid university admits that in addition to learning there are concerts, motion pictures, Observatory tours, and other forms of recreation to be found in hot weather.

Two thousand miles to the west, the University of Colorado offers learning on a more flexible (or less formidable) "workshop" plan. Thus a Workshop on Economic Education ran from June 23rd to July 11th "to stimulate and improve the quality of economic education in the public schools"; an Athletic Coaching Clinic has just ended; a Writers' Conference is being held. A Dance Workshop, a Mathematics Workshop, and the facilities of a Language House where one learns while talking are also available.

Regional interests are visible in these announcements. Thus the Central College of Missouri offers planned tours (presumably by bus) of the home state as a substitute for regular courses in Missouri's history and government. The University of Rhode Island, in the insurance city of Providence, conducts a month's summer course on all the forms of insurance, liability and workmen's compensation. On the other hand, Cornell University in upper New York State, which is famous for its researches into agriculture, has joined with Yale University to rise above sectional interests and offer a ten weeks' course in Oriental languages, including Indonesian, Russian and Chinese. And the Massachusetts Institute of Technology, ever attentive to industry's needs, offers professional summer programmes, including courses on the strength of materials, thermodynamics and automatic control of aircraft.

Obviously the college budget benefits if the expensive college plant can be used eleven or twelve months of each year instead of nine, though the need for supplementary teaching salaries does cut the profit. But the kind of educational summer fare which is in demand is changing as summer holidays become a more universal institution, and the summer session competes with mountain or beach for the attention of wider audiences than exist among people with previous academic training.

The element of popular education is important in these sessions, and growing more so as the lower-income groups improve their status. So also is their value as a means of acquainting one group with another. One of the continuing needs of a country as big as the United States is for institutions that will mix people up, keep them from souring into smug isolation in their own country clubs or trade unions, and get them to other parts of the country, not merely as tourists carrying their own atmosphere with them, but in such a fashion that they must live among the pressures and opinions common to another region. This need the summer sessions serve as Californians go to study in New York, New Mexicans drive to Wisconsin, and Connecticut men travel to Arizona, often accompanied by their wives.

American Notes

Congress in a Hurry

WHEN last week the irresistible force of Congress's desire to adjourn by the end of July met the supposedly immovable object of the President's final minimum of essential legislation, it was the immovable object that gave way. The Bill to increase postal charges, to counter the Post Office's perennial deficit, had only to appear on the President's "must" list to be tacitly relegated to the next session of Congress. And on the refugee Bill, the other piece of legislation which had threatened to delay the adjournment, the Administration is ready to settle on Senator McCarran's terms—209,000 immigrants to be admitted over three years, instead of 240,000 over two.

"Remember, Now—Don't Grow Any Bigger"



Herblock in the Washington Post

But it is possible that in the end Congress itself may insist on being a little more generous. The Administration even offered a compromise, admittedly very much to its own taste, to Senator Bricker, over his constitutional amendment that would limit the President's treaty-making powers. But Mr Bricker rejected the offer, and Republican leaders in the Senate have therefore been unable to find time for a debate on his proposals.

At the time of writing the double deadlock on tariff

policy remains unbroken. The Administration won a substantial victory, with Democratic help, over the protectionists in the House by the defeat of the second version of the restrictive Simpson Bill. But the House conferees have so far refused to withdraw in the controversy over the size of the Tariff Commission which has held up the renewal of the Trade Agreements Act for weeks. On the other hand it is in the Senate that protectionist sympathies have prevailed on the Customs Simplification Bill, also now in conference. The Senate Bill is much less satisfactory, from the point of view of foreign traders, than that approved by the House, particularly as regards methods of assessing the dutiable value of imports.

The various appropriation Bills, nearly all passed by the House some time ago, are speeding through the Senate, into the conference room, out on to the floor again, and on to the White House. Once a special plea to the House of Representatives had failed to prevent it from cutting \$1.1 billion from foreign aid funds, the President evidently decided that on this, too, he must give way, at least to the extent of accepting the smaller cut which had been approved by the Senate Appropriations Committee. The final sum recommended there was \$4.5 billion, as compared with the figure of \$5.2 billion in the authorisation Act.

For the solution of another financial problem, the Administration is, it seems, trusting to luck rather than to Congress. If revenue comes in well, if the Korean armistice enables economies to be made and if, perhaps, the government's working balances and trust funds can be manipulated a little, then the national debt may not go through its ceiling of \$275 billion before Congress meets again in January. With only about \$2.5 billion in hand at the moment, it will be a near thing, but the Treasury, although it may still change its mind, apparently does not risk an almost certain rebuff by asking Congress to raise the ceiling now.

After Korea—Universal Service?

PRESIDENT EISENHOWER'S revival of the issue of universal military service, which was shelved by Congress last year, is of greater importance, in the long run, than the dispute between the Secretary of Defence and the Director of Selective Service over the possibility of reducing the call-up for military service now that a truce has been achieved in Korea. At present there are 3,556,000 Americans under arms, more than twice the 1,460,000 in uniform before the war in Korea began. Now that the fighting has ceased, the number is expected to level off, and shrink slightly to 3,300,000 by next June. But unless voluntary enlistments hold up unexpectedly well, or the new Joint Chiefs, in their reassessment of American defence needs, decide that the size of the forces can be cut even further, any drop in the number of men called up is likely to be both small and temporary.

As he appointed Dr Karl Compton and two others to the three vacancies on the National Security Training Commission, the body responsible to Congress for drawing up a plan for universal military service, the President asked the commission to report, by December 1st, on the practicability of instituting UMT while conscription was still necessary. In the past it has been assumed, even by Mr Eisen-

hower, that the number of men in the right age-groups was too small to meet both the demands of the services for serving soldiers and those of a training scheme. The President's interest has evidently been revived by the disproportionate burden which is at present placed on conscripts. After doing their two years' service, they are then supposed to spend six years in the reserves; men who have enlisted voluntarily must spend four. Meanwhile, those who are deferred, either because they are needed on farms or in industry, or because they have dependants, escape any military obligation at all. One loophole, which has caused great resentment, was blocked when the President ruled that men who become fathers after August 25th will no longer be immune to conscription. But there remains a group of over a million men with dependants—more than a ninth of all the men between the ages of 18½ and 26—who for the moment at least are untouchable.

The commission will look into the possibility that a military training scheme might help to build up a strong and ready reserve. The reorganisation of the reserves, adopted by Congress last year, has notoriously failed to do so because, by a strange oversight, Congress did not provide any penalties for those who, when they leave the forces, refuse to take their reserve obligations seriously. Without a reserve sufficiently trained to permit the regular forces to expand rapidly from a peacetime to a wartime strength, there can be little hope of reducing the size of the armed forces and the money that is spent to maintain them.

Stretching Rubber's Deadline

AGREEMENT has been reached between the Senate and House conferees on the Bill authorising the sale of the government's 28 synthetic rubber plants to private firms. The Republicans are anxious to reduce the extent of government competition with private enterprise and this Bill may set a pattern for the disposal of other federal businesses. The House has approved the compromise, but despite the concession made to Democratic opinion, Senator Douglas is expected to lead a last-ditch stand on the Bill in the Senate, on the ground that it does not contain adequate safeguards against the creation of a private monopoly.

In principle, the sale is not a partisan issue, for it was President Truman who originally proposed that the plants, which were built during the war when America was cut off from its natural rubber supplies, should be disposed of. The present Bill empowers the President to appoint a three-man commission to negotiate the sales. To protect the national interest, the purchasers must promise to produce annually 500,000 long tons of general purpose synthetic rubber and 43,000 of butyl, about two-thirds of the present capacity. Any plants not sold, including, presumably, the high cost alcohol butadiene plants to be shut down in August, will be kept in standby condition in case of another emergency.

The chief concession made to the Democrats is that the commission will have until January, 1955, instead of June, 1954, to submit its disposal plan to Congress. The Democrats argued that it would not be able to strike a good bargain if it was negotiating against time. The plants' original cost was over \$500 million, and Senator Capehart,

the Republican chairman of the Senate Banking Committee, thinks most of this should be recovered, although much of it has been written off and the industry thinks \$300 million would be a fair price. The Republicans, after their experience with tidelands oil, are not anxious to incur another charge of giving away a national asset.

The Senate, though not the House, attached equal importance to the question of a rubber monopoly. Small fabricators are assured that any increase in price when the transfer is made will probably be only temporary, but they still fear that their supplies will be endangered if the plants are acquired by the big rubber and petroleum companies which have been running them. The extension of the deadline is partly to enable other firms to get in their bids. The House, however, turned down the Senate's proposal that Congress should be allowed to veto individual sales. It will have to accept or reject the scheme as a whole, but at least the commission is instructed to seek the advice of the Attorney-General on how to create a free competitive industry out of a government monopoly.

Hoover Recommissioned

WHEN, for the second time, ex-President Hoover takes the chair of a commission to overhaul the structure of the government he will find the terms of reference even more to his liking than on the earlier occasion. His first commission, which sent its final report to Congress in 1949, was limited to suggesting ways of performing existing functions more efficiently, while the inquiry now set up by the Ferguson-Brown Act can consider whether the government ought to perform some of these functions at all. There are to be twelve members, appointed in equal proportions by the President, the Vice-President (as presiding officer of the Senate) and the Speaker of the House. The interim reports, and the final report which has to be ready by June, 1955, should give Mr Hoover and those who think like him a chance of showing exactly where "creeping socialism" is to be turned back. At the same time another commission, of 25 members, will be drawing up, by March, 1954, a report on federal-state relations, with an eye to seeing whether much that is at present undertaken or partly financed by the government in Washington could not better be left to state and local authorities.

Meanwhile, during this session of Congress, President Eisenhower has put forward ten more schemes arising from the original Hoover proposals, or recommended by the three man Rockefeller commission that he set up in advance of his inauguration. Six of the ten are now in effect and, unless unforeseen resistance develops in the last days of the session, the remainder will come safely through on August 1st. But, even though the full implementation of the Hoover Report had a prominent place on the Republican party platform, the Administration has not yet faced all the more politically sensitive sections.

Most of this year's reforms have been non-controversial. Those affecting the Department of Agriculture and the establishment of a full dress Department of Health, Education and Welfare were controversial when submitted by Mr Truman mainly because Congress distrusted the political personalities that were then involved, not because

they stepped on the toes of established interests. Of the remainder, the most important are those affecting the Department of Defence and the Department of State. Mr Eisenhower's military prestige was enough to gain sanction for changes which enhanced the status of the civilian Secretary and the chairman of the Joint Chiefs of Staff.

Finally, unless this is reversed at the last minute by Congress, there will be set up a Foreign Operations Agency to supervise all economic, military and technical aid, and a United States Information Agency to run the Voice of America and other information services. This anticipates the complete overhaul of the existing patchwork of legislation providing for the conduct of American foreign policy, which the President has promised for next year; in theory at least the State Department is left to concentrate on policy-making, with the wan hope that it will now be out of the direct line of political fire.

Hollywood Goes to Washington

HOLLYWOOD has given more experienced pressure groups a lesson in how to manage Congress. A minor triumph for the moving picture trade unions is the inclusion, in a technical and non-controversial tax Bill, of a repeal of the income tax exemption granted to Americans who stay abroad 17 out of 18 consecutive months. This was adopted in 1951 to encourage technicians to take jobs on Point Four projects and US military bases abroad, but the real beneficiaries have proved to be moving picture stars and businessmen. The exemption tempted them to make pictures abroad which the trade unions consider might otherwise have been made in the United States.

The industry's triumph, however, is much more impressive. Cinema owners, like many other businessmen, pay federal excise taxes, and they ascribe their present woes as much to the tax as to the inroads of television. Unlike the others, however, they have succeeded in obtaining relief and this from a Congress which has just reluctantly recognised the necessity of extending the excess profits tax for six months. It took only a fortnight for both the House and Senate to pass a Bill exempting cinema owners from the 20 per cent admission tax.

This was the reward of a long and carefully planned campaign. Ever since Congress assembled, delegations of exhibitors have descended upon the Congressmen and Senators from their states, with lists of the cinemas which have had to close and gloomy prophecies about the number about to shut. A film was even made, for Congressmen only, illustrating the exhibitors' plight. Other distressed industries with claims no less justified, the legitimate theatre, for example, were kept firmly out in the cold lest the cost to the Treasury become so great that the President would have no choice but to veto the Bill. As it is, to rescue the movies will reduce revenue by about \$100 million a year, an eighth of the receipts that the President saved by his long and bitter fight to retain the profits tax. Cinema goers will not benefit. The exhibitors say quite candidly that they do not mean to cut their prices. The President's problem is whether he should make his first veto one of a measure which has so much congressional support. But if he signs, it will be hard next year to resist the demands of a score of other claimants.

The World Overseas

A Year of Neguib

A SPECTATOR at the military parade which marked a year of President Neguib's rule in Egypt likened the scene in Liberation Square to the state of the nation today. Hardly had the President arrived and begun his speech than the crowd broke ranks and, raining blessings upon him, poured into the space destined for the military parade. Police vainly pushed and shoved it back; only the faces of the more aristocratic spectators remained unmoved. Yet, in the midst of the milling multitude, a square of the troops waiting to parade stood firm as a rock. There was the national scene in miniature: the ordinary Egyptian displaying his liking for being told what to do, yet his liability to sudden bursts of uncontrollable emotion; the upper class critical of an adulation for Neguib in which it does not join; the army steady, and capable of keeping order so long as it wants to do so.

How much support have the President and his *junta* earned by their deeds during this first difficult year? Judging by their anniversary speeches, their own assessment of their work gives first place to the inauguration of land reform. Distribution of title deeds to a first batch of peasants was one of the many engagements kept by the President during the crowded days of celebration. But the successful redistribution of large estates is a complicated process of which the actual allocation of land is only a trifling part; this must be complemented by assistance with tools, production and marketing, and other facilities that landlords used to provide. Since the modern forms of this assistance are hardly organised as yet, many observers would award first place to some other of the regime's activities.

Its most remarkable feature is its morale; a band of young officers—few of them over 40—continues to give the impression that its members are austere, selfless and at pains to learn a difficult job. Even their enemies are in no position to make the familiar accusation of corruption. It is these young men who, by agreements which they reach in conference, take all executive decisions; yet they have retained in their service several civilians of high quality—notably their excellent Minister of Finance, Abdel Gelil el Emary—because on most matters they remain sufficiently aware of their limitations to know when to take professional advice. Of their practical achievements, the most important in the political field was their decision to abandon the Wafd's conceit that the Sudan issue and that of the Canal Zone were linked matters, and to be ready to settle them separately. The Sudan agreement of last February was the result. In the economic and financial sphere they were left with such a dreadful legacy by their predecessors that spectacular results have been impossible; this legacy included a budget

deficit of £E38 million for the year ending June 30, 1952; an account with the National Bank which had been £E75 million in credit in January, 1950, but went into the red in August, 1952; huge stocks of unsold cotton carried over from previous seasons on account of the Wafd's habit of juggling with prices in order to line the pockets of its friends; and a consequent serious shortage of sterling which caused drawings to the limit on Egypt's blocked account in London, and the balance in its free account to drop to an all-time low figure of £200,000 in December of last year.

There is no quick way out of such straits. Yet last week's Liberation Day speeches were able to report that the government's price policy for cotton had got the surplus moving to an extent that brings the season's sales to date to 1,800,000 cantars more than last year (1 cantar=99 lb); the only fly in the ointment is the money cost to the Treasury of an operation which involved it, having bought when cotton was dear, into selling at a loss of almost £E1½ per cantar. As a result of these sales and of an import restriction policy, speakers were also able to report that the balance in Egypt's free sterling account had risen to £19 million by the end of June. Advances to the government from the National Bank had also been liquidated; at the cost of taking over £E11.8 million which had been held as a reserve in the Bank's Issue Department it was £E5.6 million in credit.

Courageous Budget Policy

These are actual feats performed. Equally meritorious are the plans for next year as framed in the budget for 1953-4. For the first time, an Egyptian cabinet has summoned the courage to proclaim the need for hardship and sacrifice in order to attain financial stability and a higher level of welfare. Abdel Gelil el Emary anticipates a drop in revenue of £E15 million and a rise in expenditure of £E13 million as compared with the figures for the year just ended. He proposes to close the resultant gap by imposing additional customs duties of £E6 million on imports which compete with Egyptian products; duties on imports which increase local production will, by contrast, be lowered.

The balance of £E22 million he intends to raise by reducing the cost of living bonus payable to all government servants and by halving their regular increments. This attack upon an overblown civil service is a real display of courage, for it incurs the wrath of a large and vocal sector of the population. Another economy is to be effected by reducing the subsidies on flour and sugar—that is, by raising the price of two essential foodstuffs. The budget is therefore not

altogether what the *junta's* left-wing supporters would have it to be—a soak-the-rich affair. It hits the poor hard; but there is no other way back into balance, for Egypt possesses virtually no mechanism for collecting direct taxation, and to create it in a year of struggle with odds would have been impossible.

Changes of such dimensions nowhere occur without creating enemies for those who initiate them. The *junta* has made many. It is disliked by most of the politician class whom it ousted, by the big landowners who see it as disrupting their principal source of wealth, and by the underworked but underpaid civil servant who finds his pay-packet smaller and his bread dearer. Lastly, it has some adversaries within the forces; the army officer is drawn principally from the classes that own real property; it has dismissed a large number of senior men in this category, and its recent promotion to commander-in-chief of Abd al Hakim Amir—till lately only a major—has not endeared it to officers in the higher ranks. Yet it survives because it is firm of purpose, and has clean hands, and is so obviously bent, ultimately, on doing its best by all who earn, and increase productivity.

The existence of these critics and adversaries offers an explanation of an anomaly that puzzles many British onlookers. They know that President Nguib admits to the need for a base not just in the Canal Zone but “in all Egypt”—in a word, for a base achieved by consent. They know that he therefore admits, contrary to the opinion of some of his less intelligent countrymen, that, for a country in Egypt's key location, there is no such course as neutrality. How is it, then that in one breath he calls Britain Egypt's “natural friend” and in another reviles it as an enemy whom “we can drive out when we wish”? How is it that he admits a need for technicians over a period, but cannot hear of technicians who shall be responsible not to Cairo but to London? The answer is that he must from time to time throw a sop to his critics, some of whom are in the army, and steal the anti-British phrases from their lips. If he were to endow them with the excuse to proclaim that, by admitting military technicians responsible to London, he had indefinitely prolonged “occupation,” the army might cease to be the factor for order that it is today—and that would be Nguib's end.

Moderation in Africa

FROM A CORRESPONDENT IN ACCRA

THREE years ago, the first popularly elected government in West Africa came to office in the Gold Coast under the star of disorder. The Prime Minister, Dr Nkrumah, had to be released from prison where he was serving a sentence for sedition. The crowds who filled the streets shouted the slogans of anti-imperialism and “immediate freedom from the capitalist yoke,” the speeches of their leaders in the Convention Peoples' Party seemed to draw most of their inspiration from Tom Paine and Karl Marx, and one of the first decisions was to boycott all social contacts with the British.

The distance that has been travelled since those dubious beginnings can best be measured by the statesmanship and moderation displayed by these same leaders in the Gold Coast Assembly's recent debate upon the next stage in

constitutional advance towards self-government. For two and a half years they have worked within the framework of the Coussey Constitution of 1950. Two of its essential features were the presence in the Cabinet of three *ex-officio* British ministers—the Minister for Defence and External Affairs, the Finance Minister and the Attorney General—and the election to the Assembly by indirect voting procedures of a number of territorial members, many of them tribal chiefs or representatives of the chiefs. The new proposals—which the Assembly has now all but unanimously adopted—call for a modification of this hybrid constitution “as a matter of urgency,” replacing the *ex-officio* members by African ministers and introducing direct election by secret ballot for all members of the Assembly. These measures are envisaged as an immediate and essential stage in the advance towards complete independence within the Commonwealth, which “as soon as the necessary constitutional and administrative arrangements for independence are made,” Her Majesty's Government is requested formally to promulgate.

These procedures are, in themselves, far removed in spirit from the slogan of “self-government now” which echoed through Accra three years ago and the reasons for the more cautious approach were made very clear in the course of the debates. The opposition, a small group of half a dozen members led by a veteran of Gold Coast politics, Dr Danquah, is normally well to the right of the government. But he tried to embarrass the government by proposing an amendment to its constitutional proposals, demanding, as the Nigerian extremists had done, a definite date for independence and setting the date for March 6, 1954. In the event, the amendment, far from proving an embarrassment, gave Dr Nkrumah and his Ministers the opportunity of explaining the solid reasons for their prudent approach and of demonstrating the experience, steadiness and judgment they have acquired.

Allaying Northern Fears

Some of the grounds for the government's moderation lie in the Gold Coast's own internal situation. The Northern territories are neither so wealthy in resources nor so relatively advanced in education as the Ashanti or the Coastal regions. The leaders in the North share some of the Nigerian distrust of the men from the South and given an immediate choice between administration by British Colonial officers whom they know and Southern officials who are an unknown quantity, they would prefer the former. Dr Nkrumah has gone out of his way to counter these fears. The constitutional proposals were discussed with the Northern leaders and the Prime Minister recently accompanied the Governor, Sir Charles Arden-Clarke on a formal visit to the Northern capital, Tamale, to reassure local opinion. In the debate itself, an able minister representing the Northern territories, Mr Braimah, was chosen to second the constitutional motion and said bluntly that the men of the North supported the proposals because they believed the transitional period could be used to increase the education and develop the resources of the North sufficiently to bring it into an independent Gold Coast as an equal partner.

The chiefs, too, would have none of the opposition's demand for immediate independence. Their desire is to work out with the government means by which the office of chieftain can be combined with the new elective system

of local government introduced in the last year. In Gold Coast tradition, the chief has been in any case something less than a hereditary autocrat, acting with the advice of his elders and liable to be deposed by an exasperated people. The old tradition and the new democracy could, the chiefs feel, be combined, provided the final constitution of the Gold Coast is not forced through at break-neck speed. Many chiefs believe, too, that a second chamber or senate might be the right national forum for their influence. Here, too, earlier tendencies towards extremism among some supporters of the Convention People's Party has given place to a juster appreciation of the place of the chief in moral society and the dangers inherent in sudden detribalisation.

Tribute to British Officials

The chief cause of the responsibility displayed by the Gold Coast leaders is their direct experience of government. It is a sign of considerable maturity and self-confidence that they are perfectly prepared to admit what has been learnt and how much they have owed, in the process of learning, to the good will and understanding of the Governor and the three *ex-officio* members. Dr Nkrumah's tribute of thanks to these men was almost as warmly applauded in the Assembly as the demand for independence itself. The Gold Coast's leaders have wrestled for two and a half years with the practical problems of administration and if they ask now for a further transitional period, the delay is due not to any slackening in the determination to achieve self government but to the desire to secure it with the least possible loss of efficiency.

Efficiency still means help from Britain, help and advice at the highest level—hence the proposal that the African Minister of Finance shall have an economic adviser, that the Attorney General will remain as an official beside the new Minister of Justice and that the Governor shall remain responsible for defence and foreign affairs and share responsibility for internal security and the public services with an African Minister. Efficiency still means retaining British officials in the Civil Service and a few days before the constitutional debate, the Prime Minister issued a constructive statement, which while reaffirming the principle of Africanisation of the Civil Service, promised security of tenure and promotion by merit to any British official who would serve in the Gold Coast Civil Service after the transfer of power; it also proposed compensation agreements to those who preferred to leave.

New Spirit of Partnership

Above all efficiency means sensitive co-operation with outside interests in the economic development of the country. The largest experiment of this kind in Africa, the aluminium and power project on the Volta River, involves a partnership between the British and Gold Coast government and a private firm, Aluminium Ltd. of Canada (British Aluminium may also participate at some stage). The project is still only in its exploratory stage but the Gold Coast government has already had a first opportunity to demonstrate its desire for a new spirit of partnership. The traditional distrust of foreign capital was reinforced earlier in the year by the fear whispered abroad by extremists, that the Volta was simply a plan to perpetuate by economic means Britain's ostensibly abandoned political

control. In a stormy debate in February, the Assembly demanded that two Gold Coast representatives should sit on the Preparatory Commissions as watchdogs for the people. But a week before the constitutional debate, the Prime Minister persuaded the Assembly to stand by the agreement which had been reached and to substitute for two Commissioners a National Committee representing government and opposition. His statement was remarkable not only for its insistence on the need for trust between the partners but also for his plea that so vast a scheme should be considered as a national and not a partisan issue.

The great question before the Gold Coast now is how the very real striving of its youthful leaders (men between 22 and 35) to fulfil their responsibilities with judgment and good will can be matched by good will and imagination in the United Kingdom. It is not simply a question of granting independence gracefully. It is not even a question of Commonwealth membership for a nation of African stock. That issue will inevitably be raised in the not too distant future by the British West Indies whatever the speed of development in the Gold Coast. It is above all the question whether new methods can be devised to make partnership between equals within the Commonwealth something more than a pious sentiment for Empire Day. The issue does not arise only in relation to West Africa. But the Gold Coast, in which so much good will has been created and where the willingness for partnership is so marked, could well be an invaluable proving ground of the new relationship upon which the continuance of the Commonwealth undoubtedly depends.

South Africa's Budget

SOUTH AFRICA'S Minister of Finance, Mr Havenga, was described as “grave and unsmiling” after presenting his delayed budget to parliament on July 22nd: his mood was well suited to the cheerless news he had given. In all, additional taxes to the tune of £11,400,000 are proposed for the new financial year; but this is not the whole burden, for as a direct result of the new budget the price of bread is to go up by twopence a loaf, and rail rates by an average of 13.6 per cent. The severity of the new tax measures (discussed on page 341) has rudely shocked those South Africans who were hopefully anticipating some modest reductions. No less unexpected was the depressing picture of the Union's present economic difficulties revealed in the budget speech; up to now this has been eclipsed by the constitutional crisis.

Mr Havenga's task was not easy. He was faced with several intractable problems. The Union's economy, after the massive surge forward in industrial development after the war, needs now a period of consolidation and digestion. The economic structure has become unbalanced, the basic industries, like gold-mining, have steadily been losing ground in relation to the rapidly expanding secondary and service industries. For example, mining used to contribute 19.5 per cent to the gross national product in 1938, compared with 17.5 per cent for manufacturing industry. The respective percentages in 1952 were 12.9 per cent and 23.6 per cent. With little prospect of a higher world price for gold, it is to the credit of the government that it has at last

taken the bull by the horns and deliberately planned to redress the economic unbalance which inflation and import restrictions have jointly precipitated since the war.

Another legacy of the tremendous growth of industry since the war is the backlog of public works and services. Up to now, this has been the main limiting factor in further industrial advancement. There have been shortages of electric power and some load-shedding; over-loading of the transport system to the point of near collapse; and in all a strain on facilities which could not go on. The budget is planned to remedy this shortcoming; but the character of the problem has changed. Now finance, or more precisely, the shortage of savings, is the limiting factor and the government has been forced into an extreme measure—a compulsory savings levy—in order to finance its loan account for urgent capital works.

Cost of Apartheid

This situation has arisen because of three inter-related but distinct factors: the postwar inflation; the financing of the new industries out of domestic private savings; and the poor credit standing of the Union government, and indeed of anything connected with South Africa, in the world capital markets. There is now no sizeable fund of genuine savings in South Africa which could be siphoned off by government loan operations for the financing of public works. The budget gives implicit recognition to this fact. Most galling of all to the Malan government is the low credit rating which South Africa has abroad. No amount of bluster and recrimination can alter the plain fact that investors the world over shy away from anything to do with South Africa for fear of the effect that Malan's policies may have on social unrest and economic disorder in the Union.

Mr Havenga also had before him the estimates of government expenditure which, at £223 million, is higher by £10 million than in the previous year. Much of this increase is due to the normal expansion of public services alongside the development of the country and to defence expenditure; but a very large portion (which is quite impossible to estimate) must be set aside for the government's "apartheid" programme; this calls for separate facilities, re-settlement, compensation payments, national registration, and last but not least, the additional costs of providing for internal security.

Flight of Capital

Finally, Mr Havenga must have been much influenced by the rapid depletion of South Africa's reserves in the past half year. Since January gold and foreign exchange reserves have declined by £26 million. The most rapid decline coincided with the return to power of Dr Malan in April. As South Africa's trade balance in the half year has been less unfavourable than in the comparable period in 1952, and there is no evidence of any unusual invisible transactions, the inference is that there has been some movement of capital out of the Union. South Africa's balance of payments is extremely sensitive to movements of capital; unless the capital flight can be halted or brought under control, the alternative will be a further intensification of import restrictions to preserve a minimum reserve of gold and foreign exchange. By excluding gold-mining from the new savings levy; by its attack on the lop-sided economic

structure; by its drive to get rid of inflation; and by its general tone of austerity, the budget is an attempt to get down to fundamentals and thus to influence outside opinion whilst not compromising one whit on the government's broad social and economic policies.

In many respects this is a brave budget because it seeks to arrest even at this late stage the spirit of boundless optimism which is so characteristic of the South African business and commercial community. It is fundamental, because it seeks to redress the unbalanced economic structure which has arisen in the postwar years. It is unpopular because it imposes new taxes when nearly everywhere else reduced taxation is the order of the day. But it is inadequate and basically unfair because it does not go far enough in reducing the discriminatory taxes on gold-mining and because once again the very lowest end of the income scale—the non-Europeans most of all—is most seriously prejudiced, by the increased price of bread, and by the higher rail fares. Finally it is a contradictory budget because it is disinflationary by virtue of the savings levy; but inflationary in setting off a new spiral of cost inflation with the tax on petrol, the higher bread price and the increased railway rates.

Politically it is not an easy budget to defend. If the United Party opposition can mend their ranks there is ample grist for their mill. After all, the cost of living was intended as the opposition's main plank at the recent election. It remains to be seen whether Dr Malan can deflect attention once again from the basically unsound economic condition of South Africa.

Germany Cuts Steel Prices

WEST GERMAN steel producers have reluctantly agreed to make a small cut in prices, much below the amount desired by German consumers; and the duty on German imports of steel from outside the European Coal-Steel Community will probably also be reduced. This is the result of an important conference held recently in Bad Kissingen between the German iron and steel producers, the main industrial users of these products, and the Federal Ministry of Economics led by Dr Erhard.

German steel prices have been a bone of contention inside the community for some months. The German producers, very naturally, have wanted to charge high prices in order to give themselves a generous margin for investment. This policy has brought them into conflict not only with the High Authority, which aims at lower prices, but also with their own consumers. German engineering firms have been complaining loudly that high steel prices put their exports in overseas markets at a competitive disadvantage with those of such foreign rivals as Britain. Now they have won a partial victory with the producers' offer of a five per cent rebate on some types of steel, although even with this reduction, the German engineering industry claims that it must pay more than comparable British firms.

The case for price cuts in Germany was strengthened by the distinct threat of competition in the German home market from French steel based on Thionville. The general level of German steel prices, even after the reductions made in May, when the common market opened, was among the highest in the community. As a result, French semi-

manufactured steel, for example, was fully competitive everywhere in Germany, except Cologne and Hanover. Because the Treaty forbids it, the Germans could not shut out this competition by imposing import restrictions.

The new German cut puts the remaining producers of the community in a dilemma. From selling at the highest prices, after the Italian, many types of West German steel will now sell at the lowest prices in the common market. This means that other producers will probably be compelled to cut their prices too. It was also agreed at the Bad Kissingen conference that the community as a whole had too high and rigid a price level. Dr Erhard and M. Monnet are said to hold the same opinion on this score. It seems that Article 60 of the Treaty provides only that a given producer may align his prices with the lowest quoted at any basing point within the community. The Article does not make allowance for a producer who may wish to cut his prices still further or to cut them for certain orders only. This price structure is too inflexible and proposals for loosening it have been made to the High Authority.

Lower Tariffs Next

At the conference, Dr Erhard stoutly maintained his reputation as a free trader. He refused to agree to a special export incentive for steel, and reminded the meeting that he has, indeed, just given the International Monetary Fund an undertaking to work for the abolition of all such measures. Dr Erhard also pressed his liberal views on tariffs at Bad Kissingen. It was agreed that duties on steel imported into Germany from countries outside the community should be reduced, if possible in conjunction with the French, and German-French conversations are taking place in Luxemburg on this topic. A move of this kind is in keeping with the avowed aim of the Treaty—to reduce tariffs to a point where the whole community has a common tariff barrier as low as the one that now protects the Benelux countries.

The Birth of the Bolsheviks

FIFTY years ago a group of Russian social democrat delegates held a congress in Brussels. After a few days police interference compelled them to move across the Channel. Thus it was in London that the memorable assizes which gave birth to the Bolsheviks ended. Londoners, like the rest of the world, were not aware that history was being made just around the corner. Even if they had bothered to watch the quarrels of this small emigré group, they would have found their dispute unimportant and pedantic. The delegates agreed on a programme and split merely on the wording of one paragraph in the statute. One group, of which Lenin was soon to be the undisputed leader, argued that membership must be restricted to persons "participating in one or other organisation" of the party. The other group advocated a looser formula admitting all those who would accept the programme and support it materially or otherwise.

Even the actors in the drama were not aware of the importance of the cleavage. Lenin alone possibly visualised that, if the revolution was to be successful in Russia, the

party must provide a general staff and disciplined cadres. The partisans of a broader, less disciplined party won the day at first and only after the departure of several delegates from the Congress did the group to which Lenin belonged gain the majority. They were, therefore, called Bolsheviks or majority men while their opponents were named Mensheviks or men of the minority. Many of the protagonists were soon to change sides, yet despite many efforts the gap was never bridged. Fourteen years later Lenin's Bolshevik general staff was to play a decisive role in the October revolution.

Revolutionary leaders have gone. Lenin died in 1924 and Stalin eliminated the others. History had to be rewritten in order to deny the role of Trotsky and the Bolshevik old guard and to make it all the work of Stalin and Lenin. Even the nominal link was broken last year when the Soviet Communist party ceased to be called Bolshevik. The reality of today may be far away from the dream of 50 years ago, yet the bastard children or grandchildren who now sit in the Kremlin do not deny the heritage. Indeed, the lengthy article issued by the propaganda section of the Central Committee and published this week throughout the Soviet press is above all a tribute to Lenin. History is still distorted since no mention can be made of the part played by all the "traitors." The time has not yet come for rehabilitation, but at least Stalin's shadow no longer dominates the whole picture.

Troubles of Middle Age

Obviously such an important document published by the Central Committee does not limit itself to a review of the past. It also surveys the present and the future. In this it says little new, but rather restates things which have already been said before. On the political front it emphasises the need for collective leadership and attacks the "cult of the individual." On the economic side it stresses the need to satisfy consumer demand and argues that Russia has all the basic resources necessary to carry out this task. Yet, there is a seamy side to this picture: "... entire branches of industry lag behind the Plan; collective farms and whole agricultural regions lie neglected." Coupled with recent accusations against Beria this could imply that there are difficulties in obtaining food supplies for the towns and that the collective farm system is facing some sort of a crisis.

Reviewing the international situation, the article again weaves a course between hopes of peaceful co-existence and the need to be always ready for everything. This time the emphasis is on "prolonged co-existence and pacific competition," but the need to insure the defence of the Soviet Union should not be forgotten since "the imperialist camp is full of contradictions, its economy is unstable and its leaders frightened of peace."

On reading the Soviet press nowadays one has the impression that the articles are the result of a compromise or that the editors have not been told definitely what line to adopt. From day to day there are changes in shade, in emphasis. Does this mean that the "collective leaders" are struggling over policy? Fifty years ago it was impossible to foresee that some emigré politicians arguing over a party statute were laying the foundations of the October revolution, that the Bolsheviks would rise to power in Russia. Now it seems impossible to foretell what use their successors will make of this power.

Negotiating at Panmunjom—II

FROM A SPECIAL CORRESPONDENT

FOR much of its history journalists seemed almost as essential to the proceedings at Panmunjom as the armistice delegations. They publicised what was said there, and the place had its own apparatus for helping them to do so. In the last stages this was changed, and the talks were held in secret. Whether progress was made because of this new-found discretion, or whether the delegations chose to work in silence because at last a truce had to be reached, it is perhaps too early to say. The latter seems the more likely. But the bickering that had previously gone on month after month at Panmunjom had at any rate been fostered by the daily publicity it was given. It was practically impossible for either side to make a concession without seeming to admit defeat. The routine at Panmunjom magnified differences that often had little to do with the supposed purpose of the negotiations.

Although almost every word said was repeated to the Press later, the proceedings were not public in the way that, say, those in Parliament are. For one thing, the frail-looking conference building would not have been large enough to hold even a quarter of the correspondents who went to Panmunjom on what promised to be critical days. There might be more than a hundred reporters, photographers, newsreel and television cameramen and radio commentators from the United Nations side alone.

The proceedings they went there to report were in a form that seemed almost ideal for expressing disagreement. They were more like a medieval disputation than talks, except that the delegations were arguing from completely different philosophies. One side would make a statement, of varying length, and the other would follow—and so on, with pauses for translation. Three languages were used in the negotiations—Korean, English and Chinese. It was not a suitable medium for the flexible exchange of ideas, and it was made even more unbending by the style the speakers used. General Nam Il was often pedantic and repetitive in the dullest legal way, and General Harrison was given to rhetoric.

During and after each session a transcript of the speeches was read out, usually verbatim, to the United Nations correspondents waiting around the conference building. This was done by information officers of the American forces who, unlike the journalists, were allowed to go into the meetings. They were questioned about how delegates had looked while they were speaking, and about what their reactions had seemed to be. Much of what was written about the atmosphere of the negotiations came from these information officers. General Harrison's comments and manner were yet another guide to how matters were going. By these means the United Nations made known their point of view, and incidentally, that of the Communists, who had their own retinue of correspondents. Once *Pravda* sent a correspondent who, unlike anyone else, had his own private car. These apparent trivialities meant a great deal.

There was one thing missing from the official apparatus of the place as far as the United Nations' correspondents were concerned—a Communist spokesman who would comment on the proceedings much as General Harrison did. Clearly this could not be done by an officer in North Korean or Chinese uniform, because anybody seen speaking to him

would have been looked on as a most suspicious character. So matters were arranged informally. Among the most regular attenders at Panmunjom were two British journalists writing for Communist newspapers in Western Europe—Alan Winnington, of London, and Wilfred Burchett, an Australian. They were as approachable as a good public relations officer. Every day, even before the delegates arrived, they would be surrounded by a dozen or more United Nations men anxious to know what General Nam Il's line would be and what the Communist view of future prospects was. They provided in advance texts of Nam Il's more important statements, and they were well informed. They seemed to be supplied with much of the correspondence of the main news agencies. On one occasion, for instance, they were able to give British journalists a full account of an important speech by Sir Winston Churchill that had been rather neglected by the American Army radio stations and newspapers. Winnington and Burchett were also factually accurate as far as the negotiations were concerned; and their facts and opinions were widely quoted by United Nations correspondents and credited to "a Communist spokesman," "North Korean sources" and so on. At one time the American authorities tried to ban these informal press conferences, but they failed.

Parish Pump Trivialities

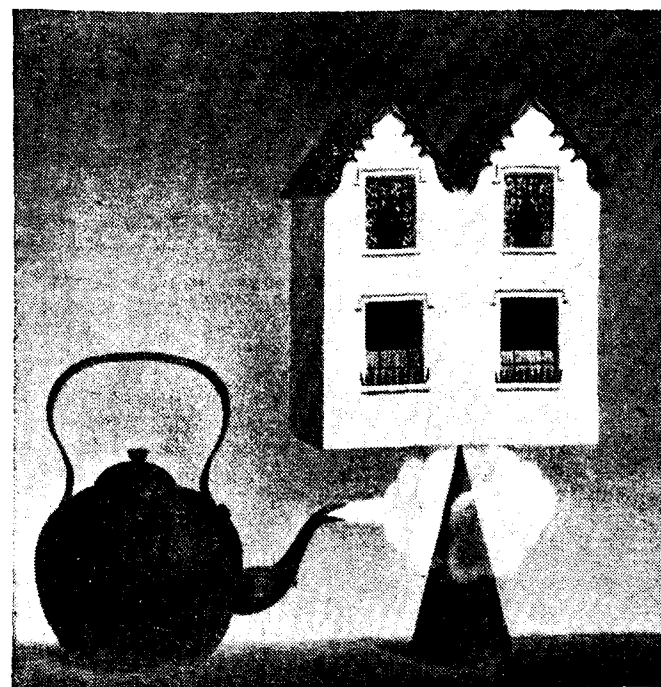
In brief, Panmunjom was managed in such a way that it could be reported with a minuteness of detail that would have been practically impossible elsewhere. It was bedevilled by parish pump trivialities; everything seemed important.

But for anyone at Panmunjom the motives behind the negotiations were by no means as clear as the day-to-day details. The background was one of secrecy, conjecture and half-understood pressures. At times it was hard to say whether either side wanted a truce on terms that could conceivably be accepted by the other. With the Communists, this doubt was understandable, although last spring their policy often seemed the more consistent. Then, they were retreating with much-emphasised concessions towards the terms of the Indian proposal accepted by the UN General Assembly late last year. The aims of the United Nations did not seem as consistent. For instance, on May 13th its delegation put forward a new plan by which Korean prisoners refusing to go home would be set free as soon as an armistice was signed. This had not been part of its earlier proposals, and was rejected by the Communists, as it was bound to be. At the time there was no obvious explanation of why it had been made at all. It seems clear now that it was to meet the wishes of the South Korean government. But eventually it had to be withdrawn in the interests of reaching a truce, and its final result was to foster Communist suspicions that, when Mr Syngman Rhee released many of these prisoners, he did so with the blessing of the United Nations.

Such confusions were perhaps inevitable in the Panmunjom method of diplomacy, especially on the United Nations side, where the effects of negotiating by remote control were most felt, and where there were many different interests to be satisfied. It may turn out eventually, however, that Panmunjom at least helped to keep the war within the confines of Korea. But the lesson of discretion learnt during the past few weeks might be worth remembering when the political conference on Korea convenes.

(Concluded)

WEIGHT AND HEAT

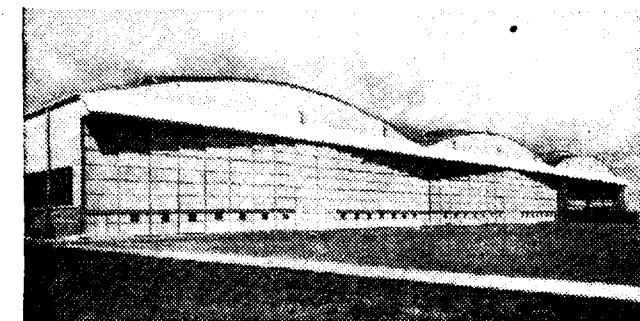


OIL-BEARING ROCKS do not always release a flow when penetrated by the drill. In such instances the rock at the bottom of the borehole must be opened up by other methods. Early in 1949 this problem arose at an oilfield in Pakistan when drilling had reached a depth of 1½ miles! Deciding that explosives would have to be used, the oil company asked the I.C.I. organisation in Pakistan for assistance. Conditions in the borehole were such that the explosive, packed in a container 5 inches in diameter, would have to withstand temperatures close to the boiling point of water and a pressure of 4 tons per square inch. I.C.I. Nobel Division in Glasgow were given the facts and special explosives and blasting equipment were developed and sent out to Pakistan. These were assembled and placed in the borehole, under the supervision of an I.C.I. technical service mining engineer. The charge was fired and a column of crude oil, under immense pressure, shot 140 feet into the air.



HANGARS

are needed all over the world—



and S.M.D. is supplying them!

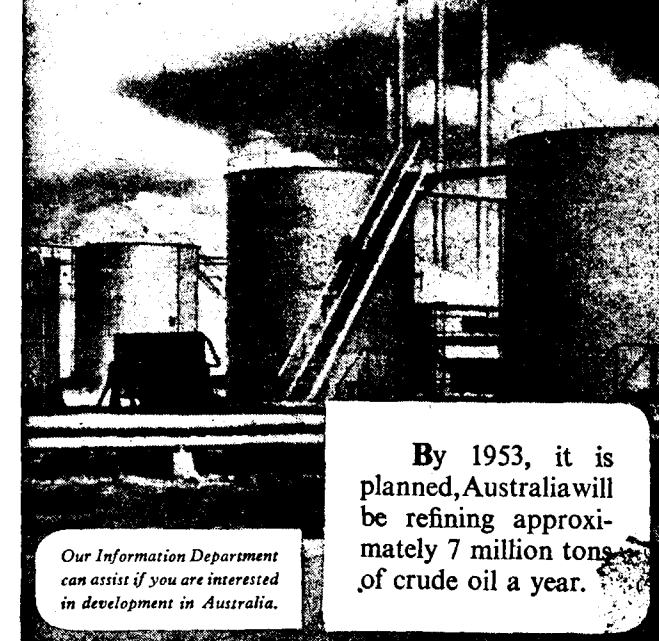
S.M.D. Aluminium Hangars are permanent buildings, directly competitive in cost with steel or concrete... plus STARTLING erection times... and, of course, no painting is required. Let us send you details.

ALMIN LIMITED - FARNHAM ROYAL - BUCKS
FARNHAM COMMON 595

Aluminium Hangars are built by S.M.D. ENGINEERS of Slough, the construction company of the Almin Group.

If it's Aluminium—ask Almin!

Another phase of AUSTRALIAN DEVELOPMENT



By 1953, it is planned, Australia will be refining approximately 7 million tons of crude oil a year.

Our Information Department can assist if you are interested in development in Australia.

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 Street, W.1
Over 660 Offices in Australia Assets £229 Million

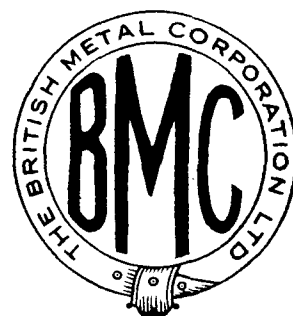
BANKS
INSURANCE
COMPANIES
INVESTMENT TRUST
COMPANIES

The investor can obtain a well-diversified interest spread over the stocks and shares of these financial institutions through the medium of the

Bank Insurance
Trust Corporation
Group of Unit Trusts

★
For full particulars, including prices of Units and their yields, apply through your stock-broker, banker, solicitor or accountant, or direct to the Managers of the Trusts:—

BANK INSURANCE TRUST CORPORATION, LTD
30, CORNHILL, LONDON, E.C.3.



LONDON . MONTREAL . TORONTO . VANCOUVER
SYDNEY . PERTH . MELBOURNE
CALCUTTA . BOMBAY . KARACHI . LAHORE
JOHANNESBURG . SALISBURY . BULAWAYO

ASSOCIATES:

C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials, it provides coal-washing plant,

ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: Brimetacor, London. CABLES: Brimetacor, London. TELEPHONE: MONarch 8055
Branches at BIRMINGHAM and SWANSEA

THE BUSINESS WORLD

Industry's Fuller Purse

IN the early summer, copies of annual company reports plump with monotonous regularity through the letter-boxes of investors. In the quarter to June 30th, 941 of these reports, the largest number yet analysed in any one quarter, were received in this office. Their composite results and balance sheets, set down in detail on pages 351 and 352 of this issue, in the statistical section, are heavily weighted by the inclusion of the results of a dozen or so of particular giants—Shell, Anglo-Iranian, Unilever, Imperial Chemical and Dunlop among them—whose tentacles of trade reach out across the world. But the profit trends reported by these great cosmopolitans are not out of line with those reported by smaller companies at home; for the most part, these 941 reports, which broadly cover trading periods ending last December, fairly portray the trading and financial experience of British industry in the calendar year 1952.

Their analysis provides some odd contrasts, but no real paradoxes. Some people may claim to see a paradox in the first statistic of all: namely, that although the trading profits earned by these 941 public companies fell by just over 10 per cent (by £82 million to £728½ million), the equity dividends they paid after deduction of tax rose by nearly 11 per cent (by £7.9 million to £80 million). But this contrast is adequately explained by two facts. First, when directors decided on their dividend recommendations earlier this summer, they had some justification for looking back on the worst of the recession as a thing of the past. Secondly, even in the first half of 1952—the bleakest period—the fall in profits had been almost as much apparent as real; much of it had been due to the cessation in the rise of stock values, and it was accompanied by a notable strengthening of industry's liquidity.

Half-way through last year many of these companies,

especially those in close touch with the consumer clearly felt, like Shakespeare's Macbeth, cabin'd, cribb'd, confin'd, bound in to saucy doubts and fears. Many company chairmen reporting twelve months ago revealed openly just how cribbed they were. For many companies trade was slack, if not at a standstill; profits were small, if not yet turned into losses; and some companies, after having allowed stocks to pile up unsold for longer than they should, were having to reduce output for the first time since the war. Then, somewhere between Midsummer Day and Hallowe'en, as the inflationary impact of the budget deficit made itself felt, the pendulum began quietly to swing back again. By the end of the year trade was recovering; profit margins were widening; accumulated stocks were being sold off; and the fall in prices (particularly of raw materials) was being openly recognised as a blessing as well as a curse. In the profit and loss accounts of these companies the earlier recession (and the initial losses on stocks when prices began to fall) made a dark stain that the later recovery could not entirely wipe out; it was for this reason only that in almost all cases trading profits showed a fall.

A scrutiny of their balance sheets, however, shows that the fall in prices (and, to a lesser extent, a slowing down in the tempo of production) reduced the working capital commitments of these companies. This reduction in the book value of inventories, combined in some cases with decisions to postpone capital development programmes until cheaper money returned, enabled many of these companies to reduce their short-term debts and to strengthen their liquid balances. In many cases, too, money ploughed back into general reserves went straight into banking accounts, in direct contrast to the decision typical of 1951 of ploughing

SPENCE

Chemicals for Industry

ALUM	ACTIVATED ALUMINAS
ALUMINIUM SULPHATE	CATALYSTS
PRECIPITATED ALUMINAS	TITANIUM TETRACHLORIDE
AMORPHOUS SILICA	BUTYL TITANATE

Details of the properties and applications of these and other Spence products may be obtained on request from the Technical Service Department

PETER SPENCE
& Sons Limited

WIDNES, LANCs. also at LONDON and BRISTOL

back the money into stock replacement reserves, which meant its quick absorption in higher inventory investment. At the same time the high cost (or the positive difficulty) of borrowing from the banks prevented some companies from loosening their tight rein on their working capital commitments, and a higher rate of return on quoted investments and deposit accounts reinforced the desire for greater liquidity.

In all, therefore, the net "quick" assets of these 941 companies—that is, the total of their cash balances, tax reserve certificates, gilt-edged and other quoted investments less bank overdrafts and short-term loans—increased by nearly 11 per cent (by £75½ million to nearly £767 million). Across the wide range of British industry, Macbeth's saucy doubts and fears had given way to Othello's advice to put money in thy purse, and a mite more—though certainly still less than a farthing more out of every pound's worth of gross sales—into the pockets of shareholders.

The wheel of fortune did not come full circle nor did it swing at the same rate for all British companies—indeed, it would have been a poor reflection on the health of the British economy if it had. Table I shows the changes in trading profits, stocks, liquid assets and bank overdrafts and loans for the various industrial groups. Nine out of the twenty-three groups resisted the falling trend and reported higher profits last year. Six of them benefited directly or indirectly from the continued high demand for capital goods throughout most of the year. Among these were the building industry (with profits rising by nearly 19 per cent), the engineering industry (whose profits rose by

2 per cent), and the iron and steel companies (by 4½ per cent); among the rest were the electrical manufacturers (whose profits rose by 4½ per cent), the motor and aircraft companies (by over 3½ per cent), the shipping companies (by 13 per cent) and a small number of the public service companies (whose profits, shown under the heading "other companies," rose by 10½ per cent). In most cases, these advances in profits were associated with an increase in the tempo of production and were, therefore, accompanied by a rise in the book value of stocks and a decline in liquidity. Among the engineering companies, for instance, the value of stocks rose by 13½ per cent, but net "quick" assets dropped by 30 per cent. Similarly, the stocks held by the motor and aircraft industries rose by 25 per cent and their net "quick" assets fell by 21 per cent.

There are, however, two surprises in the table. First, it shows that the department stores (whose financial years ended for the most part on January 31st last) have been able not only to reduce their commitments in stocks and to reinforce considerably their liquid assets, but also to increase their profits by 7 per cent. This suggests that the really heavy losses on stocks occurred further back in the chain of production and distribution. Secondly, and this seems the oddest feature of all these statistics, the wool companies, whose stocks have been reduced and whose liquid assets have been strengthened, have scored the biggest percentage increase in profits. For the 20 wool companies reporting last quarter profits rose by no less than 56½ per cent; a year ago 16 wool companies reporting in the June quarter showed a fall in profits of 41 per cent. This

TABLE I PROFITS, STOCKS, LIQUID ASSETS AND BANK LOANS
941 Companies reporting April-June, 1953.

	Trading Profits			Stocks			Liquid Assets			Bank Overdraft and Loans		
	Pre- vious Year	Latest Year	Per- centage Change	Pre- vious Year	Latest Year	Per- centage Change	Pre- vious Year	Latest Year	Per- centage Change	Pre- vious Year	Latest Year	Per- centage Change
	£ Mill.	£ Mill.	%	£ Mill.	£ Mill.	%	£ Mill.	£ Mill.	%	£ Mill.	£ Mill.	%
Building	22.5	26.7	+18.8	34.6	33.0	-4.8	14.8	20.1	+35.4	7.6	4.4	-42.8
Engineering	56.7	57.9	+2.1	123.9	140.7	+13.6	53.4	44.1	-17.4	14.6	17.0	+16.2
Iron and steel	15.6	16.3	+4.5	69.3	90.1	+30.0	31.5	26.8	-14.9	0.5	1.0	+100.0
Shipbuilding	5.9	5.2	-11.2	21.5	27.8	+29.4	22.2	19.9	-10.2	...	...	...
Chemicals and paint	87.5	69.8	-20.2	154.4	154.6	+0.1	26.2	31.5	+20.5	21.7	20.2	-7.0
Electrical manufacturing	28.9	30.2	+4.5	81.1	84.8	+4.6	11.9	16.7	+40.3	15.7	15.8	+0.9
Motors, aircraft, etc.	27.4	28.4	+3.6	52.6	65.7	+24.9	30.8	30.5	-1.1	0.9	6.9	+680.0
Newspapers, paper, etc.	48.4	30.3	-37.4	45.1	33.3	-26.1	40.6	46.7	+15.1	2.9	1.5	-47.9
Miscellaneous manufacturing	70.0	59.4	-14.3	164.3	136.9	-16.7	46.7	56.9	+21.8	35.8	29.3	-18.2
Breweries	12.5	12.3	-1.3	13.5	13.9	+2.7	15.9	14.8	-6.8	1.0	1.5	+50.0
Clothing and footwear	9.6	7.9	-18.0	23.1	19.9	-13.6	6.6	7.7	+16.9	2.4	1.8	-22.3
Food and confectionery	102.8	91.1	-11.4	297.3	264.2	-11.1	45.0	73.2	+62.6	71.0	40.3	-43.2
Shops and stores	16.6	17.7	+7.1	24.6	21.8	-11.4	10.0	19.0	+89.9	2.6	2.1	-19.6
Tobacco	51.1	50.3	-1.5	168.0	184.6	+9.9	26.9	30.4	+12.8	7.1	6.8	-4.6
Cotton	27.4	11.0	-60.0	73.4	59.6	-18.8	10.7	14.7	+36.9	6.1	6.5	+6.4
Silk and rayon	6.9	3.7	-45.8	12.9	10.4	-19.7	12.5	11.2	-10.1	0.4	0.4	...
Wool	2.6	4.0	+56.5	9.7	9.5	-2.0	2.1	3.3	+58.7	1.0	0.3	-70.0
Other textiles	6.0	3.7	-38.3	11.1	8.2	-26.3	3.3	5.1	+51.9	2.3	1.3	-41.6
Shipping	52.5	59.4	+13.1	8.4	8.7	+3.7	131.8	142.1	+7.8	2.2	2.8	+25.5
Oil	118.3	115.4	-2.4	65.4	69.4	+6.1	144.8	114.5	-20.9	1.3	1.3	...
Rubber	14.3	6.8	-52.5	5.2	4.0	-22.5	18.0	14.6	-18.9	...	...	...
Tea	4.2	1.8	-56.4	10.2	10.3	+0.3	8.6	6.9	-20.1	2.6	4.6	+76.2
Other companies	23.0	25.4	+10.5	36.4	36.9	+1.4	189.6	194.2	+2.5	5.0	6.0	+20.0
TOTAL, ALL GROUPS	810.5	728.5	-10.1	1,506.0	1,488.2	-1.2	895.9	838.7	+4.8	204.8	171.9	-16.0

remarkable recovery owes much to one or two of the larger companies; but it suggests plainly that companies east of the Pennines, as they were first to suffer in the recession, have been the first to recover from it.

Outside the wool trade, the textile industries fared very badly last year. Profits earned by the cotton companies fell by 60 per cent, those of silk and rayon manufacturers by nearly 46 per cent and profits of other

TABLE II PROFITS AND EARNINGS BY INDUSTRIES
(£'000)

	941 Companies			
	Total Income		Earnings for Ord. Capital	
	Previous Year	Latest Year	Previous Year	Latest Year
Consumption Trades :-				
Breweries	19,284	13,126	2,627	2,622
Clothing and footwear	10,179	8,617	1,564	1,833
Entertainment	2,387	2,460	335	416
Food and confectionery	107,351	101,465	12,720	14,086
Hotels and restaurants	4,500	5,523	520	329
Shops and stores	17,396	18,717	2,857	3,434
Tobacco	53,512	52,141	4,421	4,870
Total	268,609	262,049	25,044	27,590
Capital Industries :-				
Building	23,046	27,474	3,351	3,693
Engineering	59,175	60,712	10,846	10,676
Iron and steel	17,118	18,109	3,038	3,698
Shipbuilding	6,402	6,095	915	1,009
Total	105,741	112,390	18,150	19,074
General Industries :-				
Chemicals and paint	94,840	76,103	10,703	11,381
Electrical manufacturing	30,492	31,781	5,919	5,893
Motors, cycles and aircraft	28,980	30,835	4,668	4,068
Newspapers, paper and printing	51,119	34,818	7,996	8,500
Miscellaneous manufacturing	73,069	68,641	12,389	9,989
Total	278,500	232,178	41,675	39,771
Utilities and Services :-				
Docks and canals	116	163	Dr 53	Dr 18
Electricity supply	2,845	3,238	296	233
Gas	2,111	990	244	373
Shipping	55,244	62,564	5,007	6,195
Telegraph and telephones	1,296	1,670	331	386
Trams and buses	2,208	2,398	295	321
Warehousing	1,507	1,217	321	64
Waterworks	52	55	7	8
Total	65,479	72,295	7,048	7,562
Textiles :-				
Cotton	28,162	12,808	6,505	2,110
Silk and rayon	7,142	4,789	1,335	796
Wool	3,151	4,339	73	893
Other textiles	6,707	4,539	675	580
Total	45,162	26,475	8,528	4,379
Fuel :-				
Coal	469	548	61	93
Oil	126,764	121,504	34,192	36,080
Total	127,233	122,052	34,253	36,173
Plantations :-				
Rubber	15,174	7,879	3,547	1,581
Tea	4,902	2,618	1,215	272
Total	20,076	10,497	4,762	1,853
Finances :-				
Finance and land	9,010	10,351	1,630	1,973
Trusts	15,034	16,246	4,464	4,837
Total	24,044	26,597	6,094	6,810
Total, All Groups	875,244	804,533	145,554	143,212

textile manufacturers by 38 per cent. Although declines in profits were reported by other companies in the consumption trades, the only groups that have fared as badly as this were the newspaper, paper and printing trades (whose profits fell by 37 per cent), rubber plantation companies (whose profits fell by 52 per cent) and tea companies (whose profits fell by 56 per cent). In

fact, the decline in profits has been the greatest where the fall in raw material prices has been the most severe. This, however, has brought its natural corollary of a fall in stock values and, in the case of the textile companies, of an improvement in liquidity. Only the plantation companies have reported a fall both in stock values and in liquid assets, and these are the only companies that have been forced to reduce their equity dividends at all sharply. A few of the companies in the consumption goods industries, more particularly those manufacturing textiles, have had to reduce their dividends; but 18 of the 23 groups have reported higher dividends, though some only on a higher capital and by a negligible amount.

★

How far does this mean that the freeze on equity distributions—occasioned partly by official requests and partly by the strain on industrial liquidity—is over? The Treasury—whatever its economic judgment—will obviously still continue to plead the case for restraint, on political grounds alone, for some time to come. But in an admirable and overdue official broadsheet* entitled "Taking Profits to Pieces," the Treasury has this week split down the sales revenue of a "typical manufacturing company" into the £951,375 that it reckons goes into meeting the wage bill, the tax bill and other costs against £26,625 that goes into reserves and against £22,000 that goes into gross dividends. The report boldly recognises that undistributed profits "help to make British industry more efficient and better able to meet foreign competition." It is notable that there are no similar kind words about dividends, but they do not come in for any dirty ones either. On more direct economic grounds, many company chairmen reporting in the last three months have not failed to warn shareholders that British industry is now building up its stocks again and that this must in time reduce its liquid balances. But so long as prices remain reasonably stable, the replacement of stocks should present no real difficulty; and if profits can regain their rightful place as a real test of industrial efficiency, the way will be cleared for equity dividends to act as the rightful arbiter of capital investment.

* "Broadsheets on Britain No. 30." Written by the Information Bureau of the Treasury.

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.

Tankers Galore

NEW tankers are being delivered this year from the world's shipyards at the rate—unprecedented in peacetime—of more than $3\frac{1}{2}$ million tons deadweight per annum even allowing for performance much short of plan. This influx of new vessels was planned, but it is arriving at a time when tanker freight rates are at a low ebb and there exists a definite surplus of tanker tonnage. Moreover, more than 60 per cent of the tonnage still under construction and on order in the world's shipyards consists of tankers. The question is obvious. What will happen if the slackening demand now being experienced for the sea transport of oil continues for any length of time? There is already about a million tons deadweight of tankers laid up or idle. Will there eventually be a wholesale scrapping of over-age tonnage together with cancellations of tanker building contracts, leaving the shipyards practically bare? Or will demand for oil absorb the existing surplus of tankers and eventually overtake the potential supply of tonnage?

Fluctuations from shortage of carrying capacity to surplus occur more frequently and more widely in the sea transport of oil than in dry cargo, largely because the tanker is the specialised ship *par excellence*. Crude oil and most refined products cannot economically be shipped in anything but tankers, and conversely, tankers are in general unemployable for anything but the transport of petroleum (though a few experiments have been made to build tankers that can be used for other cargoes, notably the building by Sweden of tanker/ore carriers). Hence transport costs by tankers, which can seldom get a return cargo, are higher than those in dry-cargo ships; more important, when tonnage is short, marginal oil cargoes can be moved only at very high rates or not at all, and when tankers are plentiful, owners must take rockbottom freights or lay up their tonnage. In the short-term, therefore, free "voyage rates" for tankers—which affect only a small proportion of the oil moved by sea—can fluctuate more widely than dry-cargo freights. In the long-term, given the time that is required to build tankers to relieve a shortage, there is an inherent possibility of alternate periods of shortage and surplus in the size of the world's tanker fleet.

When only tankers of 2,000 tons d.w. and over are taken into reckoning, the world fleet today adds up to about 34 million tons d.w. This is just over double the deadweight capacity of the world tanker fleet at the outbreak of war in 1939 and about $2\frac{1}{2}$ times as much in carrying capacity. Table I shows the distribution of tonnage by flags in the year when war broke out, the year after the war and at the end of last year. The main features of the changes that have taken place, apart from

the general expansion of tonnage, are the wartime growth and postwar decline of tankers registered in the United States, and the increase since the end of the war in tonnage registered under the flags of such countries as Panama, Liberia and Honduras. Although the British, American and Norwegian fleets are now much bigger than they were in 1939, they account for only 60 per cent of the total, compared with 72 per cent of the world tonnage of tankers in 1939.

TABLE I—WORLD TANKER TONNAGE BY FLAG
(VESSELS OF 2,000 TONS D.W. AND OVER)
('000 TONS DEADWEIGHT)

Flag	1939		1946		1952	
	Tons d.w.	%	Tons d.w.	%	Tons d.w.	%
Utd. Kingdom	4,527	27.2	4,351	18.3	6,464	19.9
Utd. States...	4,516	27.1	13,514	57.0	8,554	26.3
Norway.....	2,922	17.5	2,257	9.5	4,709	14.5
Netherlands..	744	4.5	552	2.3	886	2.7
Panama.....	711	4.3	868	3.7	3,106	9.5
Italy.....	606	3.6	170	0.7	1,174	3.6
France.....	530	3.2	296	1.3	1,332	4.1
Liberia.....	...	...	...	...	1,310	4.0
Japan.....	...	...	...	...	639	2.0
Honduras....	...	...	...	...	220	0.7
WORLD TOTAL	16,652	100	23,721	100	32,572	100

Source: John I. Jacobs & Co. Ltd.

The commercial tanker fleet is owned either by the oil companies themselves, by governments, or by independent companies that depend for their prosperity mainly on chartering their vessels to the oil companies. Before the war, the oil companies themselves owned approximately half of the total tonnage, but since the war the proportion of independently owned tankers has considerably increased. Table II analyses the ownership of tankers under various flags as at December 31, 1952. The figures comprise tankers of 2,000 tons d.w. and over, and the table excludes tankers owned by governments, which at that date totalled about 3,400,000 tons d.w., of which about 1,700,000 tons were owned by the US Government, 500,000 tons by the United Kingdom, 350,000 tons by Argentina, 200,000 tons by Spain and 184,000 tons each by Mexico and the USSR.

Of the total of 13,266,000 tons owned by the oil companies, about $7\frac{1}{4}$ million tons belong to United States oil companies; of this $7\frac{1}{4}$ million tons $1\frac{1}{4}$ million tons was under the flag of Panama, a million tons in British Empire registry, 167,000 tons registered in the

Netherlands and 216,000 tons in Liberia. American oil companies also own 124,000 tons registered in France and 100,000 tons in Venezuela. The American oil companies, therefore, appear to be in direct control of about 58 per cent of the total tanker tonnage owned by oil companies. The latest available figure for the fleets owned by the British Tanker Co. Ltd., the tanker operating subsidiary of the Anglo-Iranian Oil Co., Ltd., is 1,903,000 tons d.w. (on February 19, 1953); and by the Shell and Royal Dutch group, whose fleets operate mainly under the British and Netherlands flags, 2,533,000 tons d.w. (on December 31, 1952).

★

The proportion of tanker tonnage owned independently has thus greatly increased since the war. The greater part of it is owned by European companies, particularly in Norway and the United Kingdom, which operate nearly 40 per cent of the world's total tonnage of independent tankers. Since the end of the war a large block of privately-owned independent tonnage has grown up under various flags such as those of Panama and Liberia, operated mainly by Greek nationals, who also operate tonnage under various other flags. This trend is continuing, if the appearance of the tanker building order book is anything to go by. Of the 15 million tons d.w. of tankers still under construction or on order at the beginning of this year, it is estimated that no fewer than 11 million tons d.w. were destined for independent owners—of which nearly $3\frac{1}{2}$ million tons were for operation by Greek and other independent owners under various flags. Too much reliance cannot, however, be placed on the composition of the order book, since contracts for tankers can be bought and sold, and also cancelled. Since the beginning of the year, for example, several contracts for tankers have been cancelled by independent owners. The striking feature of the tanker building programmes since the war, however, is that construction for independent ownership has been proceeding at roughly twice the rate of construction for the oil companies. The independent tankers are now owned mainly by a large number of companies operating small fleets of tankers, often single tankers, but many dry-cargo tramp owners are adding tankers to their fleets, and certain independent owners are building up large groups of tankers, often under a number of different flags.

The general practice of most oil companies is to provide for their sea transport requirements in three ways—by building and operating their own tankers; by taking independently owned tankers on charter for comparatively long periods; and by the "spot" or voyage chartering of independent tankers to cover marginal requirements or immediate shortages. For example, it may sometimes be more economical for an oil company to charter an "outside" tanker for a particular voyage than to divert one of its owned or chartered vessels. Moreover, it may be more profitable

for the company to hire out one of its own tankers than is particularly well placed to suit the immediate requirements of a competitor. When an oil company finds its own tonnage more than sufficient for its own present requirements, it will itself put tankers on the market.

Under long-term charters, tankers may be chartered for periods of up to 10 years or more, though the more usual fixtures are of 5-7 years' duration. The ship-owners benefit, for these long-term charters at reasonable rates, often fixed before a vessel is built, have assisted them to build up their fleets and finance their expansion. For several years this method has provided a considerable incentive towards profitable investment in tanker tonnage on the part of shipowners and an attraction to the business for private and institutional investors. It has had obvious advantages for both parties—the oil companies and the independent ship-owners. For the oil companies, it has helped to spread the capital investment and the capital risk, and has not committed them to potential losses for more than a few years, should the world demand for oil products not live

TABLE II—ANALYSIS OF OWNERSHIP BY FLAGS
('000 TONS D.W. AS AT DECEMBER 31, 1952)

Flag	Owned by oil companies	Independently owned	Total*
United States.....	4,644	2,295	6,939
Panama.....	1,359	1,747	3,106
Honduras.....	...	221	221
TOTAL, W. Hemisphere	6,501	4,484	10,985
United Kingdom.....	4,470	1,509	5,979
Norway.....	120	4,589	4,709
France.....	590	703	1,293
Netherlands.....	750	136	886
TOTAL, ECA countries	6,227	9,843	16,070
Liberia.....	440	870	1,310
Japan.....	64	575	639
TOTAL*, World.....	13,266	15,954	29,220

* Excluding Government-owned tankers and vessels of less than 2,000 tons dead weight.

up to reasonable expectations. For the tanker owners, it has helped to secure financial cover for the initial outlay on building tankers by reducing, or in many cases eliminating, the possibility of loss on the deal.

The fluctuations of supply and demand in the tanker market, however, have never proved predictable for any length of time; and these fluctuations can occur far faster than the supply of tonnage can be adjusted, since, on the one hand, tankers take a comparatively long time to build and, on the other, even distant prospects of profitable employment tend to prolong the life of older vessels that are becoming uneconomic. The world tanker market has now arrived at a period of a market maladjustment between actual demand and potential supply, and it may be on the threshold of another important change in the planning of oil transport by sea.

Business Notes

Truce and After

RARELY has an event of the importance of the cease-fire in Korea been so long in preparation; and few decisions of such potential consequence have left so many questions still to be answered. What happens now in the political discussions? Does the truce itself hold out any tangible hope of a general settlement? These will be the deciding factors governing trade and investment decisions for many uncertain months to come. Obviously the truce adds a minor depressing influence to the many that now afflict basic commodities; but their fantastic boom two years or more ago was not a direct consequence of the Korean war so much as a feverish response to the possibility—as it then appeared—of war on wider fronts. The correction in commodities has been proceeding even longer than the truce negotiations, and if guesses had to be hazarded they would suggest that industry throughout the world was now carrying a cautious load of stocks.

On this argument, and given the continuing signs of high demand and tender monetary policies in many parts of the western world, no painful disturbance of commodity prices was to be expected from the signing of the truce itself. It is true that rubber becomes more depressed, and has lost three farthings this week to touch 18½d. a pound. But the net reaction in tin, now £575 a ton, has been limited to £7 compared with last Friday's price. Lead and zinc have been firmer; cotton and wheat are holding their recent prices and jute is higher. And on the eve of the reopening of the copper market, all the signs suggest that sellers will not throw copper on the market at bargain prices.

Security prices have shown little response to the truce. Not until mid-week was any perceptible improvement apparent in the gilt-edged market. Industrial equities, again, were this week looking to America and to economic and monetary conditions at home, rather than to the far distant East. They have reached the conditional conclusion to "stay put," and they may not be wrong. Truce in Korea can hardly affect defence policy and spending; it may bring further demands for exports to aid in reconstruction, of which the £500,000 order received by the Austin Motor Company is an early example. Perhaps the basic fact for investors is that the emotional hopes of world "peace" of a few months ago have considerably waned. They can concentrate their attention on events nearer home, and on recent indications they will find at least some grounds for cautious satisfaction.

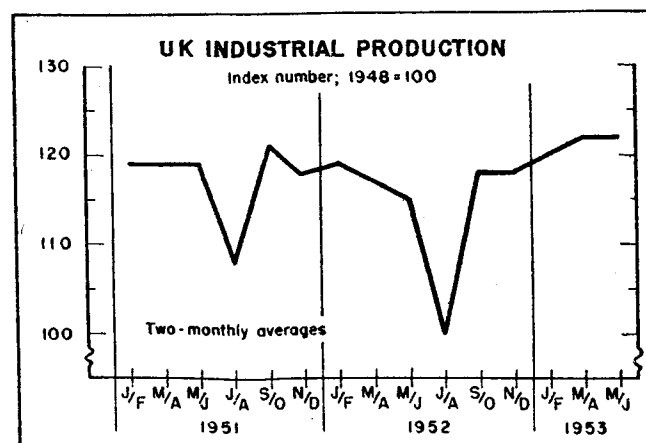
Ayr Asks Too Much

THE first county authority to take advantage of the new freedom given to local authorities to borrow in the open market instead of from the Public Works Loan Board has been given a chilly reception by the Stock Exchange.

The subscription lists for the new £3 million loan by the Ayr County Council remained open throughout banking hours on Wednesday, and 60 per cent of the issue was left in the hands of the underwriters. The Ayr County Council clearly had hoped to take advantage of the rise in gilt-edged prices that had taken place since the Bristol issue of a 4 per cent stock (1968-71) at 96½ was made and they offered the new stock at the same coupon rate with a slightly longer life and at a smaller discount. Their new 4 per cent stock is dated 1970-72 and was offered at 97½, to give a gross redemption yield to the latest date of £4 3s. 10d. per cent. Moreover, the discount for payment in full—a point to which trustee and pension fund investors attach some importance—was lower than that offered on the other recent local authority loans. The terms of this loan, then, did not offer any inducement to subscribers unless a strong advance in gilt-edged prices occurred. The Ayr County Council cannot be blamed for thinking in Scottish terms, but neither can it complain at the discount of ½ in the opening dealings on Thursday.

The Production Record

IN the first six months of this year, industrial output in Britain appears to have been about 4 per cent higher than in the first half of 1952, and no less than 7 per cent up on output in the second half of last year. Comparison of the second quarters of the two years also puts this year



about 7 per cent ahead, on the basis of provisional figures for May and "information so far received" for June. The comparison with 1951 is not so impressive, but still favourable; on the first six months, production this year is between one and two per cent higher, and for the second quarter it is nearly one per cent higher. The chart shows

the "all industries" index over the two and a half years, taking two months at a time, which partly smooths out the effects of holidays. But it is worth noting in comparing the second quarters of each year that this quarter contained one public holiday in 1951, two public holidays in 1952, and three—including the Coronation—this year.

Output in the manufacturing industries as a group from January to May was about 2 per cent higher than in the first five months of 1952, if not quite as high as in the same months of 1951, and though May included a public holiday this year and did not last year, the month's manufacturing output was 5 per cent up. No component indices are yet available to show the industries in which production was increasing most; estimates of numbers employed suggest that these might be textiles, plus perhaps certain other consumer goods industries that have been given a fillip by reflation.

It is difficult to trace employment figures over more than about 18 months at any time, owing to the method of annual revision employed by the Ministry of Labour; but six-monthly averages of the employment in industries covered by the production index, continuing an official series published some time ago, would suggest that the number of people employed in these industries taken together has remained remarkably steady over the last 2½ years, despite the temporary growth of unemployment last year. It is only fair to add that this index, when set beside six-monthly averages for total industrial output, would suggest that "gross industrial productivity," which fell a little between the first and second halves of 1951 and rather more sharply between the first and second halves of 1952, has since recovered sharply. The rise may reflect the degree of under-employment in industry late last year, and the extent to which slack taken up as industrial plant is used to fuller capacity can bring about a comparatively "painless" increase in productivity.

Trends in Bank Deposits

DESPITE outward appearance to the contrary, there is no reason to believe that the upward trend of bank finance to industry and trade is being checked. The London clearing banks' statement for the first fortnight of July does show an unseasonal fall in net deposits by nearly £10 million (to £6,013.7 million); and, for the third month in succession, a drop in advances—this time of fully £33 million. But these figures give a wholly misleading impression of the actual trends in the supply of finance to the "private sector." The apparent fall in the advances item in this period is in part an illusion since at the end-June make up date an extra large amount of cheques-in-transit (from branch to branch of the same bank) always swells the advances figures at the half-year. To judge from the experience of Lloyds Bank—this is the only bank that show advances "clean" of transit items—the true fall in bank advances in the first half of July may not have been more than about half of the apparent fall of £33 million. Moreover, a true fall of, say, £16 million or so would still not be an accurate reflection of the credit demands of private industry, since the advances figures were influenced by the

final call (of £31¼ million) on the BEA loan on July 15th. As in May and June, this operation inverted what was probably an actual rise in private credit demands into an apparent fall. All in all, with commercial bill portfolios and investments fractionally higher, the steady increase in the credit demands of the private sector appears to be continuing.

The sphere in which credit restraint is now being exercised is the public sector. The Government's borrowing from the banks (broadly reflected in the movement of cash, call money and Treasury Bills) rose by only £23 million in the first half of last month—so that net deposits fell for the first time at this season since 1948—whereas in the corresponding period of last year "public sector assets" rose by £72 million. This improvement presumably reflects the more favourable position of the Budget accounts, small savings and tax reserve certificate repayments, but it is difficult to assess its precise significance. Should it prove to be due to "technical" factors which might be expected to reverse themselves later in the financial year, the expansion of "private" bank credit will necessarily call for all the closer scrutiny.

New Taxes for South Africa

THE main feature of the budget presented to the South African parliament last week is new taxation designed to yield £11,400,000 in the current year. This new money is required to finance record "loan" account estimates of £92 million in respect of essential capital works that have accumulated since the war. Mr Havenga proposes to transfer a prospective ordinary surplus of £18 million in the new financial year to the loan account, together with the surplus of £14,800,000 from last year. But adding in the Treasury's resources in the hands of the Public Debt Commissioners, some £26,600,000 will still have to be found from public loans, and of this no more than £8 million at the outside can be expected from external sources. The Finance Minister's reservations about his budget arithmetic are well expressed in his remark that "the Treasury will make an earnest endeavour to find this amount in a way which will not cause inflation." The balance seems to be precarious.

Mr Havenga's problem (discussed in detail on page 329) is the more difficult because he must meet an increase of £10 million in ordinary expenditure compared with last year. More than £4 million of this represents additional subsidies to the provincial governments and additional defence expenditure; but there has also been a general rise in administrative costs. The Government intends to hold food subsidies at their present level and has permitted the price of bread to rise by 2d. per loaf.

The new taxes include a compulsory savings levy which takes three forms: a flat rate of £6 per head on incomes above specified levels; an increase in surcharge rates from 20 to 30 per cent; and an increase in company tax on all companies except gold mines of 6d. in the £. The levy is repayable after five years and carries interest at four per cent, payable at the end of the period; certificates will be issued but will not be transferable. There are new excise duties on motor-cars assembled in the Union of 6d. per lb, and on motor tyres of 3d. per lb, and the petrol duty is

increased by 3d. per gallon. Import duties on equivalent imported goods are to be increased accordingly. Transfer duties are to be raised from 3 to 4 per cent.

The budget is designed to be disinflationary, but its success will depend not on resort to a compulsory savings levy, but upon the eventual degree to which "loan" account expenditures are eventually covered. Furthermore the increases in excise duties, the price of bread and rail rates (of 13.63 per cent) will cause an immediate rise in the price level and may encourage an inflation of wage costs. In consultation with the Treasury and the Reserve Bank, it has been decided to leave untouched the existing pattern of money rates. But if things do not work out according to Mr Havenga's hopes, the only recourse will be to the monetary weapon.

Loan to Pakistan

PAKISTAN'S dire shortage of sterling is to be eased by a United Kingdom Government credit of £10 million, bearing interest at 4 per cent and repayable over a period of 10 years. The money is to be made available under Export Credits Guarantee Department procedure—the department providing 100 per cent guarantee of the amount in question. The loan is intended to provide finance for the purchase of a defined list of capital goods, and aims at fostering greater agricultural production and not encouraging uneconomic secondary industries. The balance of payments plight in which Pakistan now finds itself is in part due to circumstances outside Pakistan's control—a succession of poor harvests and the severe fall in the prices of jute and cotton. But part of its troubles is due to some ineptitude in domestic economic policy, of which the outstanding symbols have been an unbalanced budget, reliance on central bank credit to cover this deficit, and excessive development of inessential industries such as the construction of jute mills to by-pass Indian mills in the making-up of Pakistan jute. Pakistan's policy, as illustrated by these examples, has created a considerable inflationary pressure that must take a considerable share of the blame for the balance of payments difficulties alongside the share that can be fairly attributed to external factors over which Pakistan had no control. With the help of the British credit and of the gift of one million tons of wheat by the United States, Pakistan is being given time and an opportunity to put sounder policies into effect.

Logic on Trust Issues

THE Chancellor's letter to the chairman of the Capital Issues Committee relaxing the controls on new issues by investment and unit trusts throws the reins over the horse's head; it can now walk forward but it can be prevented from galloping away. For some time after the war new issues by the trusts were banned completely on the totally illogical ground that to raise new capital for mere "finance" would draw off resources needed for recon-

struction. Then the trusts were allowed to hobble forward by extending to them the freedom to issue any amount of new capital up to £50,000 in any one year. But in the end, truth and common sense prevail. The Chancellor now argues that

the time has come when some departure from the rigid application of this policy is desirable, having in mind the part played by the investment trusts in the supply of risk-bearing capital for industry and the need to encourage savings at the present time.

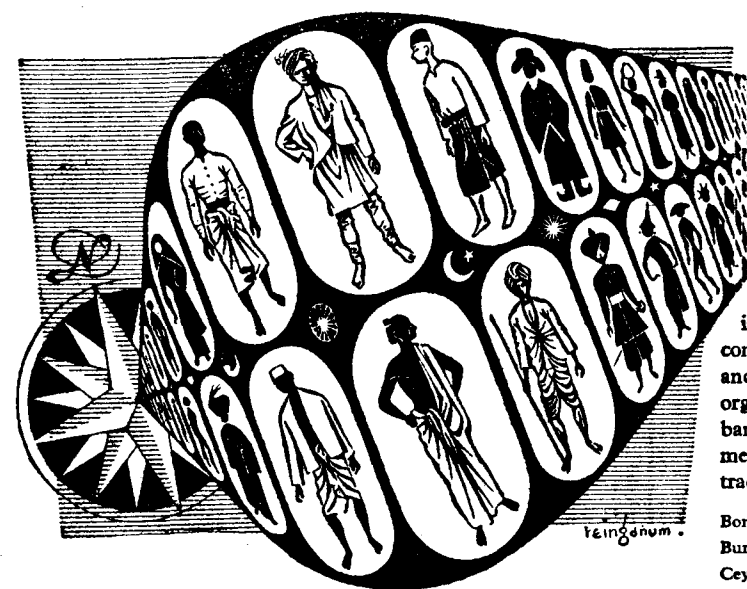
The Capital Issues Committee has, therefore, been given the power to authorise "in appropriate cases" any issues of over £50,000 by investment and unit trusts.

This wording still leaves considerable discretion with the Capital Issues Committee and it is to be hoped that irksome distinctions between applications, based on the purpose of the issue, will be avoided. The timing of this direction has suggested to some in the City that the new freedom will enable the trusts to take part in any new issues arising from the denationalisation of the steel industry and the road haulage services. But the role that the investment trusts are likely to play in the unscrambling process may only be a minor one. It is much more important that the Government has removed a senseless handicap to risk investment, and has opened to those savers whose needs are well suited by investment trust or unit trust securities an appropriate way towards new ventures.

What Price Copper?

ON Wednesday morning "Copper, gentlemen, copper" will be called across the ring in the London Metal Exchange. Then, for what are certain to be five hectic minutes, members will deal in copper for the first time in fourteen years, the news of "London copper" will again be flashed round the world, and the last of the leading non-ferrous metals will have been restored to the exchange (tin was freed in 1949, lead in October last year and zinc on January 1st this year.). What the actual price will be is anyone's guess, but it appears unlikely that it will go much below £235 per ton, compared with the Ministry of Materials' existing price of £252. There is a steady demand in Europe and the United States on the basis of £240 per ton (30 US cents per lb) for prompt delivery, and a London price below £235 would probably encourage producers to offer in the American and other world markets.

Consumers' stocks in Britain, at about 11,000 tons, are low, and cash copper should be in fairly brisk demand. The forward quotation for three months' metal is likely to be at a discount of about £20 per ton, which would roughly correspond to the forward position in New York. It is believed that producers will not have much copper available when the London market reopens, and though the Ministry has an obligation to supply the market and industry until the pipeline is full, it will not press its stocks on the market at any price. The Ministry has announced that it expects to release some 60,000 tons, but not all of this will be offered to the market; it is understood that a good deal has already been sold direct to industry at prices that will be based on the market price in the appropriate month.



The Peoples of the East

Branches of The Chartered Bank of India, Australia and China, under British management directed from London, are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East and the Bank's clientele is drawn from all the peoples of the East who engage in commerce and industry. The offices in London, Manchester and Liverpool are linked directly to the Bank's overseas organisation and they are fully equipped to provide the banking facilities and information services required by merchants and manufacturers in the United Kingdom who trade as exporters or importers with:—

Borneo	Hong Kong	Japan	Sarawak
Burma	Colony	Malayan Federation	Siam
Ceylon	India	Pakistan	Singapore Colony
China	Indonesia	Philippine Republic	Viet Nam

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.

BAYERISCHE VEREINSBANK

Every description of Domestic and Foreign Banking Business transacted

Munich Office: 14 Kardinal-Faulhaber-Strasse
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 063/443

Nuremberg Office: 21 Lorenzerplatz
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsberg Office: 37 Maximilianstrasse
Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067/20

Offices and Branches all over Bavaria
Correspondents throughout the world

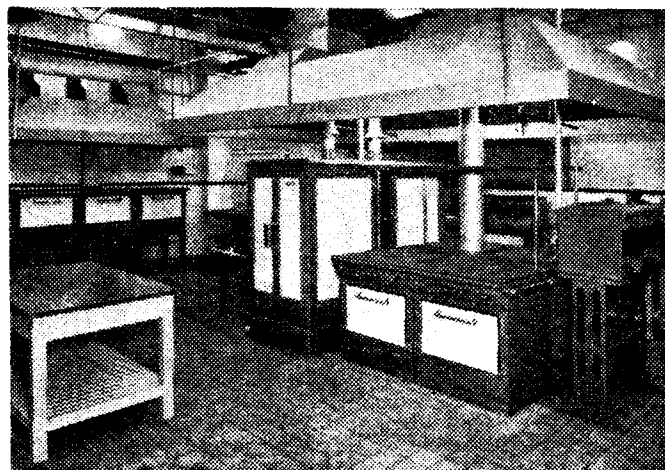
ALLIANCE ASSURANCE COMPANY LIMITED



Established 1824
Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL
CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.



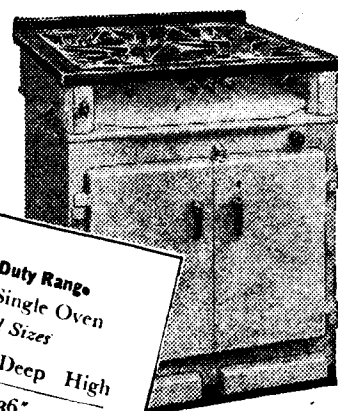
Canteen Kitchen showing 4-oven 701 range, G3 grill on stand, 803 roasting ovens and elevated general-purpose ovens.

*For Gas, Electricity, Oil,
Steam or Solid Fuel,
Falkirk Heavy Duty cooking equipment*

EVERYTHING YOU REQUIRE is included in the Falkirk Range of Equipment — be it a complete kitchen installation for a luxury hotel or merely a replacement item for a small canteen. There are Falkirk cooking appliances for use with every known type of fuel: gas, steam, electricity, solid fuel and oil.

Strongly constructed from really tough cast-iron, all Falkirk Equipment will stand up to the heaviest wear. It is labour saving and extremely economical in space.

Ask the Falkirk people for a quotation. You will be pleasantly surprised at their competitive prices.



Medium Duty Range
Type 'G' Single Oven
Overall Sizes
Type Wide Deep High
G.11 36" 36" 36"

Please write for illustrated leaflet to

**THE FALKIRK IRON
COMPANY LIMITED**

(Proprietors: Allied Ironfounders Limited)



OFFICE & SHOWROOM: REGD. TRADE MARK

18 DERING STREET, HANOVER SQUARE, LONDON, W.1;
or 40 HANOVER STREET, LEEDS 3; or FALKIRK, SCOTLAND

WE'RE INVITING INVESTMENTS and this is why!

More houses are going up. More purchasers are asking building societies for advances to pay for them.

In the past six months this Society has agreed to lend £3,804,000 for the purchase of 2,582 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.**

City Office:
163, MOORGATE, E.C.2.

ASSETS £75,000,000

75 BRANCHES

It will be interesting to see how the New York metal trade, which was critical of the London prices of lead and zinc until these recovered, will respond to the London movements in copper. A lower price here should hasten a reduction in the Chilean price, which is still held well above all other world levels at £284 per ton (35.50 cents per lb). The Chilean Government is finding it difficult to export the metal at this price. Some 60,000 tons have had to go into stock, and the American Kennecott company has cut production by 30 per cent at its El Teniente mine in Chile. The Chilean Government's reported offer to sell copper at a price "in accordance with its true value" to any country including, it is believed, East European countries, may foreshadow a weakening in its pricing policy.

New Bases for Middle East Crude Oil

RECENT confusion in the prices of Middle East crude oil now seems to be settling down and fairly uniform prices are emerging. At times since July 10th, when Gulf raised the price of its Kuwait 31 deg. gravity crude by 25 cents to \$1.75 a barrel, there have been four different prices. Now, it would seem, the general level for Kuwait crude is emerging at \$1.72, with Socony-Vacuum (which did not raise its price until last week-end) standing at this moment a few cents higher. Prices of Arabian crudes of 36 deg. gravity are similarly settling at \$1.97, fob Persian Gulf ports. Of the difference, 10 cents is immediately accounted for by the 5 degree difference in gravities and the rest is in the nature of a quality premium. The following table traces recent changes in Kuwait crude, and also those in Iraq or Arabian crude at Eastern Mediterranean outlets:

MIDDLE EAST CRUDE OIL PRICES				
Company	Kuwait 31° f.o.b. Persian Gulf		Iraq-Saudi Arabian 36° f.o.b. East. Mediterranean	
	Effective	\$ per bbl.	Effective	\$ per bbl.
Anglo-Iranian	15.7.53 16.7.53 16.7.53*	1.50 1.75 1.72	15.7.53 16.7.53 16.7.53* 16.7.53*	2.29 2.54 2.44 2.39
Socony-Vacuum ...	23.7.53 24.7.53	1.50 1.75	23.7.53 24.7.53	2.29 2.39
Shell	16.7.53 17.7.53 20.7.53	1.50 1.75 1.72	19.7.53 20.7.53 20.7.53*	2.29 2.44 2.39

* Effective from date shown though announced later.

In the Eastern Mediterranean prices of 36 deg. gravity crudes from Iraq or Saudi-Arabia have settled down on an apparently firm basis of \$2.39 a barrel. It took Anglo-Iranian three changes to reach this figure, after first raising its price by 25 cents and then dropping it by 10 cents and 5 cents. No doubt the deciding influence was that of Socony-Vacuum which waited for more than a week after the first moves and then posted a 10 cents increase. As a result of the jockeying of the last fortnight, therefore, Persian Gulf crudes are up by 22 cents and Eastern Medi-

terranean crudes by 10 cents, the differential for 36 deg. crude from the two sources being 42 cents a barrel. It seems doubtful if, in the long run, this is a sufficiently big margin. Perhaps the first attempts to obtain a 25 cents increase for Eastern Mediterranean cargoes (which would have given a differential of 57 cents) were based on the prospect—more reasonable now than it seemed a fortnight ago—of a firmer trend in spot tanker freights. At spot tanker rates of, say, USMC minus 20 per cent, compared with recent rates equivalent to USMC minus 50 per cent, the differential would have to widen—though it could do so in a number of different ways.

Sterling in World Trade

AMONG the few nuggets of virgin gold to be found in the annual report of the Bank of England are the statistics referring to the transferability of sterling. The information on the use of sterling in international trade outside the sterling area is given in greater detail than usual in the latest report. There was some reduction in 1952 from the previous year's high level of transfers of sterling between countries outside the sterling area both under the automatic facilities and under the administrative facilities made available by the Bank of England. The amounts transferred, which exclude all transfers to and from American accounts and between countries in the same monetary area were:

STERLING TRANSFERS (£ MILLION)				
	1949	1950	1951	1952
Automatic facilities	144	143	241	209
Administrative facilities ..	125	155	222	170
	269	298	463	379

The report points out that Egypt, the Netherlands, the Italian monetary area and the Scandinavian countries again made considerable use of transferability. Transfers of sterling to and from countries participating in the OEEC are shown below:

TRANSFERS INVOLVING OEEC COUNTRIES (£ MILLION)				
	1949	1950	1951	1952
Between OEEC countries .	48	78	112	78
By OEEC countries to other countries outside the Sterling Area	48	59	82	63
By other countries outside the Sterling Area to OEEC countries	101	99	179	168

The downward drift in these figures can in part be attributed to the fall in commodity prices. In 1952, however, there was a further increase to £151 million, as compared with £125 million for 1951, in the total of United Kingdom merchanting transactions conducted on a sterling

basis between non-sterling area countries. This is a reassuring token of the rebirth of third-party operations made possible by the reopening of free commodity markets in the United Kingdom. The transactions under various "commodity schemes" (by which term the exchange control arrangements in the London commodity markets are known) were down last year, but this was largely a result of the short-lived restoration of commodity arbitrage in August, 1952. The larger part of the total purchases made under this arbitrage venture, which amounted to some £60 million, is excluded from the figures of sterling commodity operations because it was effected by British merchants in dollars. The report points out that while sterling transactions between non-sterling area countries under the coffee scheme were down from £21 million in 1951 to £17 million in 1952 this reduction was more than accounted for by the smaller business in Brazilian coffee. Under other commodity schemes, transactions in sterling between non-sterling area countries remained at approximately the same level as in 1951, despite falls in rubber and tin prices.

Jubilee Quotation for Aluminium Ltd.

FITTINGLY enough, Aluminium Limited has chosen to secure an official quotation for its nine million no par value shares on the London Stock Exchange in the year of its silver jubilee. But the reason for this application by the world's largest producer of aluminium transcends any desire to celebrate the passing of one milestone in its history—a history that is illuminated in a publication, "Aluminium Panorama" recently sent out to shareholders. Nor is this application—the first to be made by a Canadian company since the war—to be construed merely as a symbol of the company's ambition to encourage the ownership of its shares in every country where its subsidiary companies are located or its principal markets are found.

So far the shares of Aluminium Limited have been dealt in on the London Stock Exchange under Rule 163 (which permits dealings in securities already listed in stock exchanges overseas) and shareholders in this country have been able to subscribe new money for the company only by the roundabout and not inexpensive route of buying

D-marks, against which dollars for the new investment could finally be purchased. To raise new money directly in this country Aluminium Limited therefore needed both an official quotation on the London Stock Exchange and the approval of the Treasury. Both these objects the company will now secure. Up to £2 million may now be raised by an issue of shares in Aluminium Limited in this country; the proceeds of the issue, which will rank as an "approved dollar investment," will be advanced to the British subsidiary, Aluminium Union Limited. This new money may well be needed to finance the company's bigger working capital commitments now that trading in aluminium has been surrendered by the Government to private concerns. The Treasury's nod of assent to such an issue is a logical outcome of its desire to make the road to private trading easy; it has already been exemplified by its acceptance of a 4 per cent note, worth £4,918,540 and not redeemable until the end of 1955, against the purchase of stocks of aluminium ingots by Aluminium Union from the Government.

More Red Matches

THE agreement by which imports of Russian matches up to a value of £500,000 in the next twelve months may be exchanged for exports of woollen and worsted textiles to Russia did not arise from the President of the Board of Trade's announced intention to "explore without delay the possibility of removing some of the obstacles to competition in the match industry"; but it may well conform with that intention. In fact, the agreement originated when a British trading organisation approached the department for assistance in importing the matches and the British match importers and textile exporters concerned are dealing directly with the Soviet trading organisation, given a blessing and promised the import licences by the Board of Trade.

At current landed prices, £500,000 would buy perhaps 2½ million "short standards" of Russian matches, which is about as many as Britain imported from all sources in the first six months of this year (a "short standard" for purposes of duty is 7,200 matches, roughly corresponding to a gross boxes of matches). The country lights about 18 million gross boxes of matches a year, about 12 million being produced here and about 6 million imported; the recent Monopoly Commission report on this industry stated that the British Match group accounted for about 87 per cent of home production and 89 per cent of imports in 1949-50, but in the twelve months ended March 31st last BMC accounted for only about 82 per cent of the matches imported. "Competitive imports," from sources or through importers not associated with the British Match or Swedish Match combines, have recently increased; even so, in 1952 they totalled only just over a million gross boxes. The imports envisaged from Russia alone would be more than double this figure; if the whole quantity is brought in, it will be more than ten times as many matches as Britain imported from Russia in 1952. Together with the substantial imports from other countries, it might also imply a potential surplus of matches on the British market. With duty taking more than a penny a box on matches made here and not much less than 1½d. a box on imported matches, the chances of the ordinary box of safety matches costing less than 2d. apiece are remote; but some price competition has already developed in the sale of packets of a dozen boxes.

In June, the wholesale prices of matches made by or imported by the British Match group ranged between 18s. 6d. a gross (for Italian matches) and 20s. 1d. a gross; Russian matches were being offered at 18s. 6d.; but Austria, Holland and Hongkong were offering "competitive" matches cheaper than this, though some of the boxes they supplied contained only 43 matches against the normal average of 47 matches in a box.

Employers Stay Apart

THE idea of merging the Federation of British Industries and the British Employers' Confederation arose in discussions during the war, and was accepted in principle by both organisations in December, 1946. The confederation had already moved its offices to the FBI headquarters in Tothill Street, Westminster, and a joint committee was set up to "prepare a complete scheme for fusion." Last week the committee finally reported that the whole idea of amalgamating the two organisations should be abandoned, though the two organisations will work in close co-operation; accordingly, the British Employers' Confederation is to find new offices.

The main interests of the two organisations have always been quite distinct. The confederation has been concerned primarily with labour negotiations on wage problems and the like; its membership is composed, in fact, of the employers' organisations that negotiate with trade unions for their different industries. The federation, which has individual companies as members as well as trade associations, is not concerned with wage negotiations, though it has a good deal of contact with trade unions and the TUC on general economic and commercial questions affecting industry as a whole. The two bodies have grown up in different ways, which create difficulties in merging them. The joint committee reported last week that these difficulties could have been overcome, given a general feeling that the benefit of fusion outweighed the disadvantages of altering the organisations' structures; but "there is much less certainty on this point than existed six years ago among the members of the two organisations."

Is Sulphur Still Scarce?

THOUGH sulphur in the form of sulphuric acid is vital to a wide range of industries, periodical statistics about its consumption, production and development throughout the world have never been published regularly. Much valuable information has come in the past two years from the International Materials Conference in Washington, but this source ceased when the Conference ended the allocation of sulphur last March. The Sulphur Exploration Syndicate, formed in Britain in 1951 by nine leading consumers of this chemical, is therefore to be congratulated for making available to all the information it collects for its own members, in a quarterly bulletin. In the first issue, published last week, the Syndicate cautiously estimates that in 1953 world production of sulphur in all forms will rise by 500,000 tons to 12.7 million tons, and that consumption will rise by 1.1 million tons to 12.5 million tons. This would leave a surplus of 200,000 tons compared with

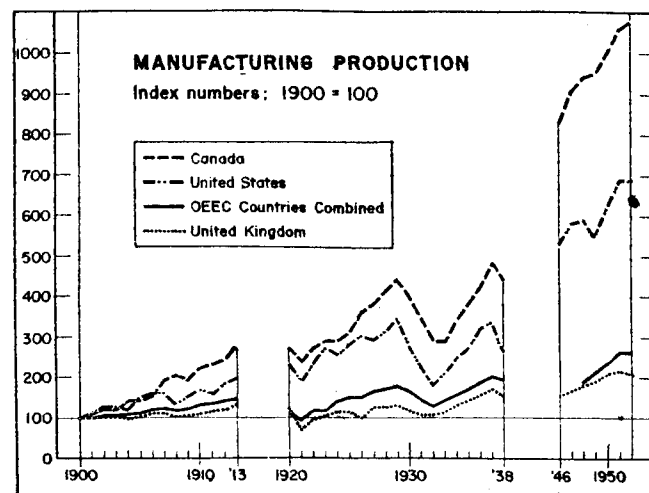
800,000 tons in 1952, when the recession in textiles and other industries reduced the demand for sulphur.

During 1954 and 1955, production and consumption of sulphur are both expected to increase at the rate of 4½ to 5½ per cent per annum, given no violent fluctuations in trade. The present level of exports from the United States may diminish. Increased requirements elsewhere will be met primarily by additional production of acid from pyrites, augmented by the expansion of sulphur recovery—which is being developed notably in oil refining. Supply and demand are therefore expected to be in precarious balance up to 1955. Since there is general agreement that supplies of low-cost sulphur from America will decline, the development of alternative sources is essential for European countries, particularly Britain. Failing significant new discoveries, the Syndicate considers that the present alternatives lie between obtaining more elemental sulphur from other known deposits, or expanding supplies from recovery and by-product sources. It considers certain other forecasts of sulphur supply and demand, such as those made recently by a committee of OEEC and by Mr Langbourne-Williams of the Freeport Sulphur Company, too optimistic; and itself holds that sulphur recovery offers the most economic alternative.

Cocoa Boomlet

OLD crop cocoa is enjoying a little boom. Demand continues to be strong and with the season almost over, little of the old crop is still to be had. There will be no carry-over of cocoa from the 1952/53 crop year; this has been true of virtually all postwar years. The shipment price of Accra cocoa has recovered from 230s. per 50 kilos c.i.f. Continent last February to about 305s. this week mainly on account of two developments that began at that time. In Britain, the Government announced the end of rationing and price control of confectionery. Consumption of sweets responded quickly, and manufacturers have substantially increased their purchases of cocoa beans and butter. In Brazil, the Government introduced a free currency market, which made Brazilian cocoa products very competitive in world markets, and exports have increased. This in turn stimulated the demand for Brazilian beans. In the past few weeks world cocoa prices have strengthened further as some Continental countries, particularly Germany, and the United States sought to cover their requirements.

The market in new crop cocoa, shipment of which does not begin from West Africa until October, has in consequence been more active than usual at this time. The West African marketing boards are well sold forward, and now appear to be unwilling to add to their commitments for the moment. At the end of June the price of Accra new crop cocoa opened officially at 260s. per 50 kilos c.i.f. for October/December shipment, and has now advanced to 270s. There has also been considerable activity by dealers, which has raised the price on the London market to about 272s. A firm outlook for the new crop is not necessarily indicated by recent developments. Much will depend on the crop estimates published by the Gold Coast and Nigerian Governments at the end of September, since output from these two Colonies accounts for over half the world's supply.



Source: "Basic Statistics of Industrial Production, 1913-1952." (OEEC Statistical Bulletin.) Base of index numbers changed to 1900 as 100.

SHORTER NOTES

During the next four months, Ford Motors proposes to ship about \$3 million worth of its new diesel tractors to the United States, and preliminary estimates for next year suggest that American sales of the tractor may earn about six times that amount of dollars. The tractor will eventually be handled by 2,700 Ford dealers throughout the United States; shipments will go direct from the Ford wharf at Dagenham to Houston in Texas, to New Orleans and later through the Great Lakes to the wheat belt. Even with these freight charges, the company believes it will be able to offer these tractors to American farmers at prices below those of a similar machine produced in the United States; its initial shipments, indeed, are already on the way to Birmingham, Michigan—only about 10 miles from Detroit.

If weather this winter becomes no more severe than what the British Electricity Authority calls "average cold spell" temperatures, there should be no need for load-

shedding from the power system, though voltage reductions will still be necessary to close the gap of some 1,400,000 kW between the plant capacity available and the potential total demand for electricity at the winter peak. Weather of extreme severity, which would raise the possible gap to 2,100,000 kW, would mean that some 400,000 kW would have to be shed by disconnection of supplies. In these circumstances, no national "target" of load-spreading is being formulated this year; regional boards have been given discretion to make such arrangements as seem necessary with industry in their area.

As a result of Turkey's present balance of payments difficulties, the Export Credits Guarantee Department has limited the cover for new exports to Turkey and has raised its premium rates. To reduce the prolonged delays in payments, Turkey is restricting its imports from OEEC countries and is examining future import arrangements in conjunction with OEEC.

Company Notes

GENERAL ELECTRIC. The sombre story outlined in the full accounts of General Electric for the year to March 31st last suggests that the company has lost some ground in the race for supremacy with the other giants of the electrical manufacturing industry. Sir Harry Railing is careful to explain why the group's trading profits slumped from £8,617,275 to £6,519,615 in spite of "a considerable improvement" in turnover, but his explanations seem to provide less than a complete answer to the question why GEC appears to have fallen behind its rivals. Sir Harry attributes the reduction in profits to "the steep fall in sales of consumer goods both at home and abroad . . . and to a lower rate of gross profit." As the output of capital goods continued to rise, it seems that the GEC group may also have accepted lower

margins of profit on these goods as well as upon consumer goods.

The fall in net profits (from £2,091,114 to £1,266,054) did not, however, have any immediate effect in itself either on the fortunes of the equity stockholder or on the financial strength of the group. By paying 11½ per cent the directors effectively maintained the equity dividend rate. They were also able to appropriate rather more to reserves than was possible in 1951-53, but only through the writing back of the substantial sum of £2,710,979 from taxation provisions no longer required. By far the biggest slice of this sum—£2,420,172 to be exact—arose from the settlement of the group's liability for Excess Profits Tax. Stockholders will be among the first to recognise the once and for all nature of this credit in the profit and loss account.

In the balance sheet, the increase in the production of capital goods, on the one hand, has meant that more money has had to be locked away in financing work in progress and the decline in orders for consumer goods, on the other hand, has led to increased stocks of finished goods in the group's warehouses. For these two contrary reasons, therefore, the book value of the group's stocks and work in progress has risen from £33,541,257 to £38,102,111. This increase, together with an increase in debtors from £14,383,851 to £16,269,059, has denuded the group's liquid balances. Its cash balance has been reduced from £5,256,095 to £1,547,369 and its bank overdraft has jumped from £29,320 to £4,349,966.

The chairman records that "orders for consumer goods show slight signs of improvement and there are indications that the deterioration experienced during the last financial year has stopped." But any hopes that may be raised by this

statement are qualified by the remark that "the order book for capital goods at the end of the financial year was satisfactory, but since then the outlook has tended to become less favourable on account of the shortage of finance the world over and the increased competition in all markets."

PATONS AND BALDWIN. Everywhere in the full accounts of Patons and Baldwins for the year to May 2nd last can be seen the signs of a remarkable recovery—a recovery that took even the most sanguine of the wool manufacturers by surprise. A gross trading profit of £3,185,940 has replaced a loss of £293,492 and a net loss of £482,660 has given way to a net profit of £1,628,616; and the directors have restored the ordinary dividend to its former rate of 20 per cent. Indeed, the recovery has been so sustained that the group sold in weight more knitting wools in the home market than ever

	Years ended	
	May 3, 1952	May 2, 1953
Consolidated earnings:		
Trading profit.....	£293,492	£3,185,940
Total income.....	£482,660*	£3,795,819
Depreciation.....	372,287	513,305
Taxation.....	97,597	1,209,956
Net profit.....	£482,660*	£1,628,616
Ordinary dividends ..	138,539	287,632
Ordinary dividends (per cent).....	10	20
Contingencies reserve	...	1,000,000
Added to group carry forward.....	30,590	74,298
Consolidated balance sheet:		
Fixed assets, less depreciation.....	8,532,444	8,420,303
Net current assets ..	9,562,901	11,646,594
Stocks.....	9,910,989	12,303,625
Cash.....	547,464	702,105
Bank overdrafts.....	845,123	1,821,838
Reserves.....	7,081,783	8,318,521
Ordinary capital.....	2,638,829	2,638,829
£1 ordinary stock at 60s. yields £6 13s. per cent.		

* After writing back £277,508 from tax provisions no longer required but before writing back £700,000 from contingencies reserve. † Including £129,729 from surplus on sale of trade investment and £476,705 from tax provisions no longer required.

	Years to March 31,	
	1952	1953
Consolidated earnings:		
Trading profit.....	£8,617,275	£6,519,615
Total income.....	9,276,889	9,536,339*
Depreciation.....	1,092,896	1,151,517
Taxation.....	4,455,066	2,901,945
Net profit.....	£2,091,114	£1,266,054
Ordinary dividends ..	628,181	716,347
Ordinary dividends (per cent).....	22½	11½
Stock reserve	838,672	1,032,400
Plant replacement reserve.....	500,000	500,000
General reserve.....	45,000	835,500
Added to group carry forward.....	309,311	774,304
Consolidated balance sheet:		
Fixed assets, less depreciation.....	11,656,735	12,793,951
Net current assets ..	31,377,416	33,727,823
Stocks.....	33,541,257	38,102,111
Cash.....	5,256,095	1,547,369
Bank overdraft.....	29,320	4,349,966
Reserves.....	25,129,741	22,571,438
Ordinary capital.....	5,877,720	11,755,440
£1 ordinary stock at 40s. yields £5 13s. per cent.		

* Including £2,710,979 from tax provisions no longer required (including £2,420,172 arising from settlement of Excess Profits Tax).

before; the demand for manufacturing yarns has also been running at a high level and the group's factories are booked to capacity for months to come.

As more and more of the company's industrial capacity came into full production so the value of its stocks and work in progress began to climb. By the end of the financial year the book value of stocks had risen by £2,392,636 to £12,303,625 and the weight of wool, tops and yarn showed "a substantial increase" above the previous stocktaking figure. But as stocks increased the group had to look more and more for short term finance from the banks and in the last financial year its bank overdraft was run up from £845,123 to £1,821,838. The company's directors themselves are the first to recognise the need to conserve liquid resources and it was with this need in mind that an appropriation of £1 million (including £606,434 that effectively came from non-recurring credits) was made to a contingencies reserve.

All these tokens of prosperity, however, cannot gloss over the unstable course of trade and of profits in the wool industry and the chairman, Mr Philip A. Wright, takes occasion to emphasise how vulnerable the group's fortunes are to sudden changes in prices or in demand. In commenting upon the sharp swings in the price of wool, for instance, he comments that "price variations in raw material when evaluated over the company's necessarily large stocks of wool, tops and yarn represent latent risks which will always be liable to cause fluctuations in earnings and against which prudence dictates that some balancing reserves be made."

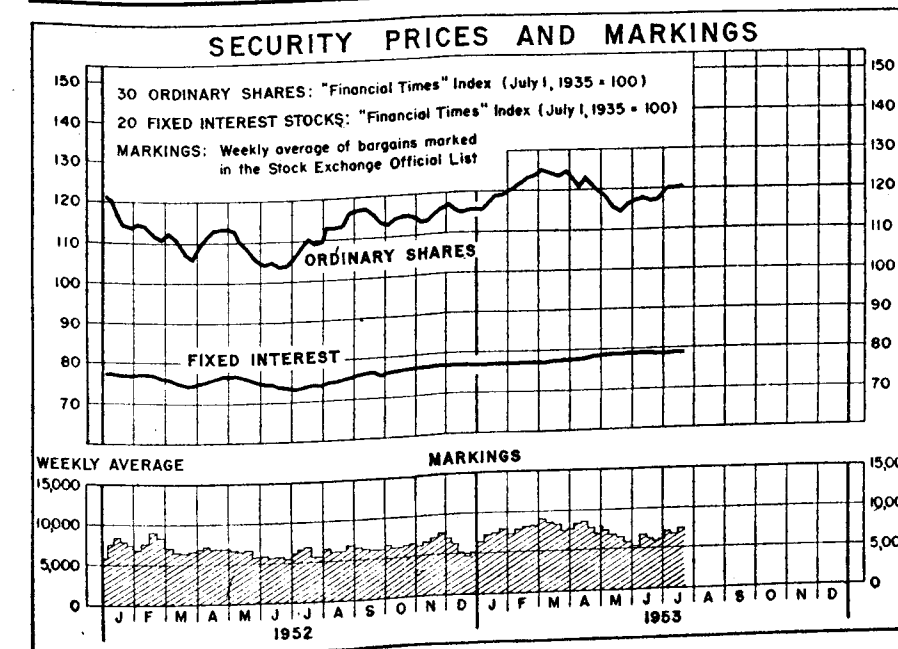
In pointing to the 25 per cent increase in the price of wool that has taken place since September—which has led to an increase in selling prices and which may have helped both to push up profits and the value of stocks—Mr Wright pertinently suggests that "the present level of the price of raw wool has not yet reached the public and any continued rise may result in a level beyond the public's capacity to pay with a consequent restric-

tion in demand." But to be set against this cautious warning are the facts that the price of wool is not likely in the foreseeable future to plunge as steeply as it did in the spring of 1951, that the world's stocks of raw wool are "very moderate" and that "stocks of finished goods in trader's hands are in a healthier condition than for some years past."

★ GREAT UNIVERSAL STORES.

The directors of Great Universal Stores, led by Mr Isaac Wolfson, seem to have the habit of confounding the pessimists (who have sometimes wondered if the rapid growth in the stature of this adolescent giant had led to any weakness in its muscles and sinews) and of surprising even the most hardened optimists. The surprise packet for the year to March 31st last is not so much the advance in trading profits (from £9,954,976 to £11,388,271) as the decision to pay a final dividend of 37½ per cent. This payment, bringing the full year's distribution to 50 per cent, effectively doubled the payments made in 1951-52. Such a liberal dividend can hardly be a mere reflection of the increase in net profits from £2,993,676 to £3,183,385; it may be that recent suggestions that GUS has been building up its cash balances have something in them.

As nothing appears to arrest the progress of the group, investors may already be looking for an even bigger dividend in the next few years. They have some grounds for this hope, for out of a total tax bill of £6,746,550 EPL has taken £1,546,936, or more than double the net equity payments of £732,982. To some extent the latest increase in dividends had been anticipated in the stock markets. Even so, immediately after the publication of the group's preliminary report the 5s. ordinary shares were marked up 1s. 3d. to 30s. 6d., to offer a yield of just under 8.2 per cent. The determined bulls of GUS will argue from the group's recent record that this yield does not discount all future possibilities.



LONDON STOCK EXCHANGE

Next Account begins: August 5th
Next Contango Day: August 5th.
Next Settlement Day: August 11th.

THE probability of a truce in Korea had been discounted for so long in the stock markets that the actual signing of the truce caused hardly a ripple of disturbance in the markets this week. There were very few alterations in gilt-edged prices at first, and then on Wednesday a very moderate increase in business helped to lift the prices of some of the medium-dated and nationalisation issues by about ¼ of a point. The new home corporation issues remained firm, although on Wednesday the subscription lists for the Ayr loan remained open throughout banking hours. In the foreign market the news of the truce immediately gave Chinese bonds a fillip, but these gains were soon lost when profits were taken. Japanese issues, particularly the dollar stocks, improved in the belief that Japanese trade would benefit from the rehabilitation programme for Korea. German Government issues also made some slight gains, but the Potash loans were marked slightly lower on the adverse report on the latest debt settlement offer.

Very slight and irregular movements in prices characterised the industrial market after the week-end. Electrical equipment lost a little ground after the rather discouraging statement from the chairman of GEC and then later on recovered these earlier losses. A minor rally in tobacco shares was staged on Tuesday, but it soon died away, and on Wednesday prices again tended to drift lower. Elsewhere the leading industrials remained quite firm. A little extra demand helped to lift prices in the oil market. In spite of the fall in the price of the commodity after the news of the truce, rubber shares were generally firmer. Base-metal shares were marked down at first in line with the fall in commodity prices, but these losses were reduced to a few pence or wiped out completely in the rally that followed. Widespread gains were reported in the Kaffir market when Continental demand (which was also partly responsible for a firmer tone in copper shares) was renewed.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
July 22...	120.5	108.63	4.12	5.80
" 23...	120.3	108.64	4.12	5.80
" 24...	120.3	108.62	4.12	5.80
" 27...	120.2	108.57	4.12	5.81
" 28...	120.2	108.69	4.12	5.81
" 29...	120.3	108.67	4.12	5.80
1953, High.	125.0	108.76	Total bargains	
" Low.	113.9	105.68	" 23	7.352
	(May 20)	(Jan. 5)	" 24	6.973
			" 27	8.183
1952, High.	121.5	106.66	" 28	6.973
" Low.	103.1	100.67	" 29	6.873
	(Jan. 1)	(Jan. 9)		
	(June 24)	(July 3)		

* July 1, 1925=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to July 29		BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 22, 1953	Price, July 29, 1953	Net Yield, July 29, 1953 s. d.	Gross Yield, July 29, 1953 s. d.	Prices, 1953 Jan. 1 to July 29		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 22, 1953	Price, July 29, 1953	Yield, July 29, 1953 s. d.
High	Low						High	Low					
100 1/2	99 1/2	War Bonds 2 1/2% '52-54	100	100 1/2	1 10 1	1 9 5	39/10 1/2	32/3	10 c	12 1/2	34/6	35/-	7 2 10
99 1/2	98 1/2	Exchequer 2 1/2% 1955	99 1/2	99 1/2	1 9 4	2 9 0	14/3	10/10 1/2	3 a	12 b	11/3	11/3	8 5 4
101 1/2	99 1/2	Exchequer 3% 1960	101 1/2	100 1/2	1 11 4	2 17 10	55/4 1/2	45/3	5 a	10 b	50/-	49/6	6 1 3
99 1/2	98 1/2	Serial Funding 1 1/2% 1953	99 1/2	99 1/2	1 4 7	2 11 8	50/3	44/6	2 1/2 a	12 1/2 b	49/6	49/-	6 2 5
99 1/2	98 1/2	Serial Funding 1 1/2% 1954	99 1/2	99 1/2	1 10 3	2 8 8							
101 1/2	100 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	1 2 1	2 11 4	31/-	21/4 1/2	7 b	4 a	30/-	30/-	7 6 8
100 1/2	99 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	1 8 0	2 10 2	27/6	21/4 1/2	11 c	12 b	26/9	26/9	5 19 8
100 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 6 11	2 12 5	48/11 1/2	41/4 1/2	5 a	7 1/2 b	42/6	42/6	5 17 8
101 1/2	99 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	1 8 3	2 15 4	43/3	37/3	5 a	6 1/2 b	42/6	42/6	5 5 11
102 1/2	99 1/2	War Loan 3% '55-59	101 1/2	101 1/2	1 8 6	2 16 8	45/6	38/6	10 b	5 a	44/-	44/-	6 16 4
96 1/2	91 1/2	Savings Bonds 3% '55-65	95 1/2	95 1/2	2 1 3	3 8 10 1/2	61/10 1/2	49/-	4 a	16 b	60/-	60/-	6 13 4
98 1/2	93 1/2	Funding 2 1/2% '56-61	97 1/2	97 1/2	1 15 9	2 19 7 1/2	81/6	73/-	7 1/2 a	12 1/2 b	77/6	77/6	5 3 3
91 1/2	86 1/2	Funding 3% '59-69	90 1/2	90 1/2	2 8 3	3 17 8	37/6	33/3	2 a	8 b	36/3	36/-	5 11 1
93 1/2	87 1/2	Funding 3% '66-68	92 1/2	92 1/2	2 5 3	3 13 6 1/2	60/6	51/-	10 b	5 a	52/6	52/6	5 14 3
101 1/2	98 1/2	Funding 4% '60-90	101 1/2	101 1/2	2 1 2	3 18 5 1/2	46/-	38/6	3 1/2 a	7 1/2 b	42/6	40/-	5 12 6
90 1/2	85 1/2	Savings Bonds 3% '60-70	89 1/2	89 1/2	2 6 11	3 11 6 1/2	19/6	15/6	5 a	6 1/2 b	16/-	16/3	6 3 1 1/2
89 1/2	84 1/2	Savings Bonds 2 1/2% '64-67	88 1/2	88 1/2	2 6 11	3 11 6 1/2	19/6	15/6	5 a	6 1/2 b	16/-	16/3	6 3 1 1/2
103 1/2	100 1/2	Victory 4% '20-76	103 1/2	101 1/2	2 0 4	3 15 5 1/2	72 1/2	58 1/2	17 1/2	4 a	6/9	6/9	7 14 1 1/2
87 1/2	82 1/2	Savings Bonds 3% '65-75	85 1/2	85 1/2	2 10 0	3 19 7 1/2	35/10 1/2	23/6	7 1/2 c	7 1/2 c	26/-	26/3	5 14 3
92 1/2	86 1/2	Consols 4% aft. Feb. '57	89 1/2	89 1/2	2 9 1	4 9 2 1/2	30/6	25/1 1/2	15 c	15 c	29/6	29/6	5 0 10 1/2
82 1/2	77 1/2	Conv. 3 1/2% aft. April '61	81 1/2	81 1/2	2 7 6	4 6 11 1/2	42/10 1/2	36/6	5 1/2 b	6 a	41/6	41/6	5 10 10
61 1/2	57 1/2	Treas. 2 1/2% aft. April '75	60 1/2	60 1/2	2 5 8	4 3 7 1/2	96/3	78/6	25 c	25 c	80/-	80/-	6 5 0
72 1/2	67 1/2	Treas. 3% aft. April '66	71 1/2	71 1/2	2 6 9	4 5 6 1/2	29/-	24/-	25 c	2 a	26/10 1/2	26/10 1/2	6 4 0 1/2
92 1/2	87 1/2	Treas. 3 1/2% '77-80	90 1/2	90 1/2	2 7 11 1/2	4 1 9 1/2	66/6	58/6	5 a	10 b	61/3	61/3	4 17 11 1/2
90 1/2	85 1/2	Treas. 3 1/2% '79-81	90 1/2	90 1/2	2 7 10 1/2	4 1 3 1/2	7/-	5/3 1/2	12 c	12 c	6/3	6/3	9 12 0
81 1/2	76 1/2	Redemption 3% '86-96	80 1/2	80 1/2	2 8 2	4 0 4	21/4 1/2	19/-	10 a	10 b	20/-	20/-	5 0 0
82 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52	81 1/2	81 1/2	2 7 8	4 7 0 1/2	29/6	16/6 1/2	22 1/2 b	12 1/2 a	28/3	28/-	5 0 11 1/2
62 1/2	58 1/2	Consols 2 1/2%	60 1/2	60 1/2	2 5 5	4 2 9 1/2	97/9	85/7 1/2	5 a	17 1/2 b	92/6	92/6	4 17 4
88 1/2	83 1/2	Br. Elec. 3% '68-73	87 1/2	87 1/2	2 10 0	4 0 2 1/2	58/9	46/3	15 a	35 b	58/-	57/3	4 7 4
86 1/2	82 1/2	Br. Elec. 3% '74-77	86 1/2	86 1/2	2 9 0	3 19 5 1/2	57/3	44/3	55 c	20 a	57/-	56/3	4 17 9
101 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	101 1/2	101 1/2	2 5 5	4 4 4	6 1/2	5 1/2	5 a	30 b	6 1/2	6 1/2	5 4 8
101 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	101 1/2	101 1/2	2 5 9	4 4 3 1/2	6 1/2	5 1/2	5 a	30 b	6 1/2	6 1/2	5 4 8
92 1/2	88 1/2	Br. Elec. 3 1/2% '76-79	92 1/2	92 1/2	2 7 0	4 0 9 1/2	49/9	40/11 1/2	2 1/2 a	12 1/2 b	46/10 1/2	49 1/4	6 1 6
82 1/2	76 1/2	Br. Trans. 3% '78-88	80 1/2	80 1/2	2 10 2	4 1 7 1/2	43 1/2	43 1/2	4 a	12 b	43 1/2	43 1/2	4 13 2
88 1/2	83 1/2	Br. Trans. 3% '68-73	87 1/2	87 1/2	2 10 1	4 0 3 1/2	88/5 1/2	75/7 1/2	5 1/2 a	10 1/2 b	87/6	87/6	6 4 8
99 1/2	95 1/2	Br. Trans. 4% '72-77	98 1/2	98 1/2	2 5 9	4 2 4 1/2	29/1 1/2	23/-	11 1/2 b	5 1/2 a	25/9	27/3	5 11 3
91 1/2	86 1/2	Br. Gas 3% '90-95	80 1/2	80 1/2	2 8 5	4 0 4 1/2	44/1 1/2	34/7 1/2	16 c	2 1/2 a	35/6	35/-	9 2 10
95 1/2	91 1/2	Br. Gas 3 1/2% '69-71	95 1/2	95 1/2	2 6 4	3 19 11 1/2	62/3	52/9	6 a	14 b	59/-	59/-	6 15 7
							30/9	24/-	10 c	10 c	24/6	24/6	8 3 3 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 July 29		Prices, 1953 Jan. 1 to July 29		TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 22, 1953	Price, July 29, 1953	Yield, July 29, 1953 s. d.
High	Low	High	Low				
88 1/2	81 1/2	89 1/2	84 1/2	Aust. 3 1/2% '65-69	87 1/2	87 1/2	4 7 2 1/2
92 1/2	86 1/2	94 1/2	91 1/2	N. Zealand 3 1/2% '62-65	93	93	3 19 10 1/2
98 1/2	89 1/2	98 1/2	93 1/2	S. Africa 3 1/2% '54-59	96	96	4 5 4 1/2
68 1/2	60 1/2	69 1/2	66 1/2	L.C.C. 3% aft. 1920	69 1/2	70	4 5 9 1/2
91 1/2	84 1/2	93 1/2	90 1/2	Liverpool 3% '54-64	93	93	3 15 10 1/2
91 1/2	85 1/2	91 1/2	88 1/2	P.L.A. 3 1/2% '66-71	91	91	4 4 8 1/2
103 1/2	97 1/2	104 1/2	101 1/2	Agrie. Mort. 5% '59-89	102	102	4 12 3 1/2
68 1/2	61 1/2	73	66 1/2	Austria 4 1/2% '34-59	72	72 1/2	4 13 9 1/2
13 1/2	5 1/2	21 1/2	8	Chinese 5% 1913	18	17	Nil
68 1/2	43 1/2	66	49 1/2	German 5%	54 1/2	56	...
85 1/2	45	80	65	German 4 1/2%	69	70 1/2	...
145 1/2	103	134 1/2	119	Japan 5% 1907	122	123 1/2	...

Prices, 1953 Jan. 1 to July 29		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, July 22, 1953	Price, July 29, 1953	Yield, July 29, 1953 s. d.
High	Low	(a)	(b)				
64 1/2	58 1/2	7 b	7 a	BANKS & DISCOUNT	63/6	63/6	4 8 2
53 1/2	46 1/2	6 b	6 a	Lloyds "A" £5, £1 pd.	52/6	52/6	4 11 6
72 1/2	64 1/2	8 b	8 a	Midland £1, fully pd.	70/6	70/6	4 10 9
73 1/2	59 1/2	8 1/2 b	8 1/2 a	N. Prov. "B" £5, £1 pd.	71/6	72/6	4 13 10
80 1/2	70 1/2	9 b	9 a	Westminster £4, £1 pd.	79/-	79/-	4 11 2
75 1/2	67 1/2	10 b	7 1/2 a	Alexanders £2, £1 pd.	74/6	74/6	4 14 0
39 1/2	35 1/2	5 b	5 a	Nat. Disc. "A" £1	38/-	38/-	5 5 3
46 1/2	39 1/2	5 b	5 a	Union Disc. £1	41/-	41/-	4 17 7
39 1/2	32 1/2	4 b	4 a	Barc. (D.C. & O.) "A" £1	33/6	34/6	4 12 9
49 1/2	39 1/2	7 a	9 b	Chart. Bk. of India £1	41/-	41/6	6 14 1 1/2
8 1/2	7 1/2	50 a	85 b	Leg. & Gen. £1, 5/- pd.	8 1/2	8 1/2	3 17 2
21 1/2	17 1/2	20 1/2 a	40 1/2 b	Pearl £1, fully pd.	20 1/2	20 1/2	5 6 5
38 1/2	32 1/2	100 1/2 c	105 1/2 c	Prudential "A" £1	35 1/2	35 1/2	5 6 10
131 1/2	115 1/2	33 b	10 a	Bass £1	116/3	116/3	7 7 11 1/2
17 1/2	15 1/2	7 1/2 a	15 b	Distillers 4%	16/6	16/9	5 7 6
31 1/2	27 1/2	10 b	7 b	Guinness 10%	28/6	28/6	5 19 4
10 1/2	8 1/2	8 b	4 a	Ind. Coope 5%	8/6	8/6	7 1 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 18-6%. (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%. (m) Dividend of 17 1/2% for 4 months; yield basis 10%. (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 19-7% gross. (t) Yield basis 30%. (u) Yield basis 7 1/2%.

New York Closing Prices

July 22		July 29		July 22		July 29	
Balt. & Ohio	24 1/2	24 1/2	32 1/2	Am. Smelting	31 1/2	32 1/2	Inter. Paper
Can. Pac.	26 1/2	25 1/2	43 1/2	Am. Viscose	43 1/2	43 1/2	Nat. Distill.
N.Y. Cent.	25	24	24	Cel. of Amer.	24	23 1/2	Sears Roebuck
Pennsyl.	21 1/2	20 1/2	70 1/2	Chrysler	70 1/2	70 1/2	Shell
Amer. Tel.	155	154 1/2	71 1/2	Gen. Elec.	71 1/2	72	Std. Oil of N.J.
Stand. Gas	18 1/2	18 1/2	58 1/2	Gen. Motor	58 1/2	58 1/2	U.S. Steel
United Corp.	5	4	47 1/2	Goodyear	47 1/2	48 1/2	Westinghouse
W. Union Tel.	43 1/2	43 1/2	41 1/2	Inter. Nickel	41 1/2	41 1/2	Woolworth

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 335.

Comparative analysis of 941 profit and loss accounts published April-June, 1953.
(£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
	No. of Companies		(32)		(59)		(23)		(9)		(49)		(75)		(17)	
	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	12,505	12,337	9,631	7,901	102,805	91,109	16,553	17,728	51,052	50,299	22,408	26,699	56,706	57,936	15,594	16,292
Income from investments	239	281	79	102	2,517	2,011	453	514	2,424	1,732	406	432	998	1,200	1,309	1,186
Other current income	540	508	469	610	2,027	8,339	328	409	36	110	161	342	1,448	1,545	224	631
Non-recurring credits																
Total Income	13,284	13,126	10,179	8,617	107,351	101,465	17,396	18,717	53,512	52,141	23,046	27,474	59,175	60,712	17,118	18,109
Repairs and maintenance	189	256	73	69	275	166	896	800	1	5	1	166	128		1	50
Depreciation	1,121	1,378	1,135	1,158	15,797	18,240	1,276	1,391	2,566	2,605	4,790	5,201	8,442	9,366	2,009	2,356
Income tax (excl. profits tax)	3,486	4,496	3,149	3,131	41,767	34,774	4,108	5,945	18,083	19,462	7,037	10,244	19,505	23,080	5,708	6,588
Profits tax	2,483	1,155	1,507	607	5,102	3,310	2,567	2,146	5,269	3,109	3,512	3,344	8,262	6,592	2,848	1,855
Directors' emoluments	439	440	613	620	1,841	1,868	648	617	447	435	981	995	2,070	2,175	542	511
Administrative charges, etc.	108	107	81	102	423	403	2,255	2,302	145	200	237	215	294	313	45	34
Contingencies, provisions, etc.	782	741	572	139	9,694	6,514	970	399	2,912	3,243	954	983	2,889	2,344	890	864
Pensions	78	83	77	49	507	652	272	143	701	713	105	174	382	276	94	36
Minority share in profits	227	224	25	11	1,744	2,002	152	184	8,425	2,897	307	314	1,069	970	193	178
Profits retained by subsidiaries	450	247	934	448	11,132	12,334	620	427	14,590	13,589	1,253	1,715	3,893	3,328	1,180	1,483
Debiture interest	971	1,050	150	154	1,914	2,671	654	607	666	621	226	253	607	616	58	52
Preference dividends	823	827	289	296	4,445	4,445	321	322	387	396	328	342	850	848	413	413
Ordinary dividends	1,702	1,825	1,046	1,208	6,266	7,920	1,908	2,289	4,135	4,485	1,777	1,992	4,104	4,556	1,405	1,703
Revenue reserves	840	727	404	399	4,862	4,625	1,123	1,704	24	24	1,347	1,481	5,467	5,222	1,369	1,759
Brought in (parent company)	3,024	3,109	1,489	1,603	11,292	12,484	6,622	6,448	4,756	5,018	3,493	3,720	7,978	9,253	4,645	4,909
Carried forward (parent company)	3,109	3,179	1,603	1,829	12,484	14,025	6,448	5,889	5,018	5,403	3,720	3,940	9,253	10,151	4,909	6,143

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
	No. of Companies		(40)		(29)		(26)		(34)		(111)		(20)		(18)	
	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	5,861	5,204	87,508	69,764	28,885	30,182	27,430	28,426	48,367	50,290	70,020	53,039	62,471	59,358	27,438	10,981
Income from investments	603	654	3,577	3,662	630	702	376	695	1,693	1,700	1,621	1,684	1,531	2,845	189	193
Other current income	38	237	3,755	2,677	1,377	880	1,012	1,714	1,038	2,791	1,172	3,598	1,242	361	535	1,634
Non-recurring credits																
Total Income	6,402	6,095	98,840	76,103	30,892	31,781	28,980	30,835	51,119	34,818	73,067	58,641	55,244	62,564	28,162	12,808
Repairs and maintenance	300	300	712	763	25	10			630	613	4	5	212	212	1	
Depreciation	747	718	19,350	21,382	3,404	3,578	4,293	5,457	3,322	3,286	11,197	11,069	18,140	19,705	2,397	2,283
Income tax (excl. profits tax)	2,023	2,186	26,603	21,978	10,603	12,162	10,786	12,021	17,312	10,852	25,714	20,501	12,796	18,255	11,168	2,914
Profits tax	1,044	479	12,344	4,774	3,757	3,146	2,466	1,748	7,108	2,548	9,310	4,963	5,041	3,700	3,225	961
Directors' emoluments	183	161	1,727	1,546	883	898	631	709	1,440	1,346	2,608	2,490	567	573	555	539
Administrative charges, etc.	19	18	331	240	363	557	92	125	273	320	788	904	208	281	66	73
Contingencies, provisions, etc.	60	290	8,570	1,529	2,982	3,425	3,872	3,885	5,946	1,926	3,363	2,328	5,119	5,575	818	494
Pensions	144	66	4,609	4,131	360	441	842	1,487	2,444	1,192	700	642	1,908	1,193	21	22
Minority share in profits	112	85	1,487	1,205	54	20	31	33	399	408	899	716	708	837	387	452
Profits retained by subsidiaries	755	662	5,318	3,399	2,119	1,135	1,049	1,102	2,744	2,222	4,430	3,188	4,390	5,495	2,504	2,460
Debiture interest	34	35	1,633	2,321	137	190	15	27	531	622	619	782	245	240	211	189
Preference dividends	86	86	1,453	1,454	286	326	236	233	974	983	1,048	1,064	303	303	354	364
Ordinary dividends	585	781	6,940	7,993	2,067	2,650	1,973	2,172	2,931	3,189	5,561	5,472	2,567	2,967	1,833	1,769
Revenue reserves	810	165	1,870	3,112	3,398	2,420	1,991	1,779	4,734	4,983	4,433	3,556	2,923	3,015	4,594	549
Brought in (parent company)	644	664	8,740	10,633	5,657	6,111	4,648	5,952	4,169	4,500	9,522	11,917	5,234	1,720	1,798	1,798
Carried forward (parent company)	664	727	10,633	10,909	6,111	6,934	5,952	6,009	4,500	4,828	11,917	12,578	5,234	5,447	1,798	1,590

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTAL ALL GROUPS	
	No. of Companies		(8)		(20)		(16)		(11)		(109)		(53)		(158)	
	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	6,892	3,737	2,570	4,021	6,040	3,730	118,284	115,417	14,295	6,795	4,150	1,808	23,016	25,422	810,541	728,475
Income from investments	138	213	16	30	286	271	8,275	5,635	360	424	440	453	16,204	16,840	44,255	43,459
Other current income	112	839	562	288	381	538	130	77	67	47	62	91	176	313	922	1,011
Non-recurring credits									452	613	248	266	2,239	2,284	19,326	31,588
Total Income	7,142	4,789	3,151	4,339	6,707	4,539	126,764	121,504	15,174	7,879	4,902	2,618	41,635	44,859	875,244	804,533
Repairs and maintenance	1,093	1,041	463	448	518	549	24,697	15,263	7	15	29	14	959	1,216	5,045	5,111
Depreciation	2,461	1,322	1,164	1,528	2,158	1,131	32,319	60,412	4,502	2,294	1,562	1,088	11,154	13,797	131,937	131,931
Income tax (excl. profits tax)	906	379	441	342	722	286	10,993	3,913	2,883	736	857	237	3,317	2,475	95,864	52,805
Profits tax																
Directors' emoluments	269	200	397	408	393	342	505	531	176	153	105	107	1,264	1,336	19,264	19,000
Administrative charges, etc.	6	8	18	16	238	220	732	716	684	649	253	337	1,610	1,804	9,259	9,944
Contingencies, provisions, etc.	415	546	450	43	673	538	20,855	3,328	2,600	1,735	190	130	3,265	2,292	78,700	43,291
Pensions	95	11	21	22	29	24	128	143	3	...	103	50	389	415	14,012	11,965
Minority share in profits	1	...	53	...	24	7	7	3	43	26	...	14	...	411	11,665	11,065
Profits retained by subsidiaries	2	Dr	51	52	551	106	718	Dr	696	92	56	3	1,751	2,444	60,432	55,575
Debiture interest	165	112	51	52	101	104	44	82	33	33	3	3	2,850	2,922	11,618	13,738
Preference dividends	394	389	80	81	164	160	1,724	1,729	34	22	103	87	2,042	2,048	16,636	16,718
Ordinary dividends	576	461	299	375	386	399	14,962	17,763	2,278	1,079	729	433	5,787	6,591	72,217	80,077
Revenue reserves	625	565	20	219	219	143	19,065	18,173	990	445	436	227	2,002	1,766	62,736	56,334
Brought in (parent company)	959	1,093	1,194	888	1,086	1,156	6,670	6,845	1,452	1,731	1,489	1,539	10,303	10,967	106,971	117,372
Carried forward (parent company)	1,093	863	888	1,187	1,156	1,194	6,845	6,989	1,731	1,788	1,539	1,151	10,967	11,625	117,572	126,376

Comparative analysis of 941 balance sheets published April-June, 1953. (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(21)		(32)		(59)		(23)		(9)		(49)		(75)		(17)	
	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	86,734	90,109	26,412	28,337	282,486	320,591	51,930	54,759	50,680	58,613	87,365	95,230	112,519	129,201	43,629	48,346
Trade investments	1,068	1,157	556	538	26,993	27,649	3,120	2,453	10,788	9,465	1,888	2,776	4,883	4,810	2,750	3,151
Stocks	13,539	13,903	23,075	19,939	297,259	264,173	24,615	21,814	167,962	184,567	34,645	32,982	123,893	140,698	69,349	90,149
Debtors	7,849	8,275	4,911	5,246	154,134	135,231	10,017	9,600	40,188	38,776	28,540	28,237	69,336	75,123	20,873	22,409
Net balances due to parent cos.	12	14	72	45	499	572	4,305	2,005	93	330	330	353	899	2,119	19,901	13,004
Gilt-edged	4,180	4,716	457	237	3,076	2,987	3,989	3,954	11	11	3,723	3,087	15,900	15,696	19,901	13,004
Cash	10,507	8,895	5,766	7,038	37,161	58,620	5,826	14,855	25,649	28,797	9,027	14,522	32,045	22,974	9,521	12,913
Other marketable investments	1,214	1,209	373	438	4,791	11,614	205	215	1,273	1,561	2,068	2,455	5,431	5,432	2,123	920
Intangible assets	3,729	3,727	3,630	3,628	77,208	76,861	1,608	1,661	2,295	2,326	884	895	1,550	1,102	455	440
Total Assets	128,832	132,005	65,252	65,446	883,607	898,298	105,615	111,316	298,939	324,116	168,380	180,537	366,656	397,155	168,601	191,337
Bank overdrafts and loans	1,014	1,497	2,371	1,843	71,013	40,324	2,575	2,071	7,142	6,814	7,623	4,363	14,614	16,985	467	1,044
Reserve for future income tax	3,289	4,277	3,443	3,424	23,460	25,955	3,647	5,445	8,011	8,726	6,144	10,177	18,440	23,605	4,795	6,954
Depreciation and obsolescence	4,478	5,536	8,877	9,650	95,334	107,628	13,891	13,247	15,978	17,839	44,532	48,547	45,990	52,607	17,611	19,436
Capital reserves and EPT refunds	9,275	8,309	4,260	5,059	77,675	84,495	5,140	5,222	38,540	39,917	11,971	13,495	26,131	33,197	12,713	12,318
Other provisions	1,844	1,677	992	787	2,719	2,600	590	580	5,061	5,650	1,916	1,928	2,563	2,523	2,175	2,025
Current liabilities and creditors	18,367	17,595	10,377	9,330	175,967	173,038	16,513	17,495	63,347	64,559	33,435	33,252	99,437	87,154	58,730	73,821
Revenue res. and carried forward	27,421	28,518	10,371	11,028	146,139	159,466	20,803	22,216	83,160	98,133	23,354	24,891	71,056	78,550	38,622	41,449
Minority interests	6,562	6,574	995	982	31,149	32,452	5,755	5,845	18,918	22,152	5,903	6,235	10,684	11,292	1,421	1,918
Debiture capital	26,807	26,647	3,347	3,317	69,492	73,236	13,120	13,225	17,603	16,931	5,685	7,318	10,559	11,889	1,355	1,262
Preference capital	10,873	10,943	8,206	8,223	104,746	105,066	9,551	9,551	12,635	12,635	10,208	10,268	25,719	25,712	11,590	11,590
Ordinary capital	18,891	20,429	11,793	11,793	81,826	90,121	13,924	16,344	28,201	30,491	18,301	19,896	49,020	53,704	18,860	19,460
Total Liabilities	128,832	132,005	65,252	65,446	883,607	898,298	105,615	111,316	298,939	324,116	168,380	180,537	366,656	397,155	168,601	191,337

Industry	Shipbuilding	Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton		
No. of Companies	(5)	(40)		(29)		(25)		(34)		(111)		(20)		(18)		
	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.....	22,582	24,202	344,241	390,012	57,130	62,166	60,522	69,401	69,202	77,173	167,579	184,001	201,518	219,960	53,679	57,796
Trade investments.....	1,268	1,405	20,734	23,450	5,933	6,985	1,268	1,542	12,272	12,523	15,830	13,480	6,340	6,551	5,347	5,035
Stocks.....	21,464	27,763	154,449	154,587	81,076	84,788	52,581	65,693	45,088	33,325	164,272	136,887	8,380	8,686	73,442	59,626
Debtors.....	8,264	8,143	74,965	70,136	52,429	56,883	30,912	41,279	38,308	30,126	85,085	82,572	32,407	27,284	15,419	16,102
Net balances due to parent cos.	2	349	423	733	382	265	291	149	337	149	337	149	63	132	1,268	1,268
Gilt-edged.....	10,267	10,161	1,659	1,748	668	341	7,009	6,694	3,021	5,176	4,719	3,937	50,944	47,804	121	455
Cash.....	11,719	8,759	19,995	25,715	10,134	14,161	23,719	23,696	27,112	32,799	39,135	42,289	65,433	75,935	8,650	12,537
Other marketable investments.....	177	978	4,515	4,069	1,070	2,157	62	60	2,497	2,616	2,868	5,278	15,419	18,370	1,950	1,685
Intangible assets.....	---	---	20,309	20,196	2,563	2,471	618	638	38,905	37,108	6,169	6,080	1,645	1,904	4,152	4,015
Total Assets.....	75,743	81,411	640,607	690,336	211,736	230,334	176,956	209,294	236,405	230,846	485,994	480,073	582,149	606,494	164,082	158,519
Bank overdrafts and loans.....	---	5	21,735	20,207	15,661	15,800	885	6,902	2,882	1,502	35,765	29,254	2,223	2,790	6,123	6,512
Reserve for future income tax.....	1,824	2,028	32,410	32,343	9,242	11,466	8,833	10,389	16,835	11,875	20,186	18,430	2,124	4,302	7,603	2,191
Depreciation and obsolescence.....	10,838	11,424	58,108	72,459	24,234	24,456	25,896	30,118	24,289	27,869	71,538	80,032	4,976	5,411	21,274	22,875
Capital reserves and EPT refunds.....	7,847	7,602	144,925	159,923	15,468	17,144	25,374	30,435	9,650	9,907	32,396	35,180	109,684	116,455	13,519	13,821
Other provisions.....	1,111	1,002	2,677	2,521	3,172	3,343	2,989	2,898	6,636	5,077	8,919	9,247	1,018	902	6,954	5,044
Current liabilities and creditors.....	24,965	28,618	107,305	98,021	56,000	53,295	54,823	64,824	44,540	36,808	109,859	91,525	120,557	125,624	22,016	20,347
Revenue res. and carried forward.....	14,515	16,035	80,828	88,014	40,775	47,651	22,550	25,385	52,115	54,749	79,775	85,532	67,655	73,035	41,287	42,342
Net balances due to subsidiaries.....	---	5	251	60	62	358	3	3	64	60	673	38	51	51	482	493
Minority interests.....	1,020	1,082	19,454	21,215	3,957	3,855	240	808	7,855	7,814	14,090	14,765	23,000	23,063	3,013	3,089
Debiture capital.....	426	413	36,949	44,660	1,596	1,775	395	1,185	13,535	14,201	19,342	20,336	6,161	6,091	4,968	4,824
Preference capital.....	3,390	3,390	43,466	43,466	10,424	11,078	8,271	8,271	26,899	27,217	30,215	30,456	10,324	10,326	11,572	11,663
Ordinary capital.....	9,807	9,807	92,499	107,447	31,085	40,113	26,897	28,076	31,105	33,767	63,436	65,280	34,376	38,495	25,271	25,320
Total Liabilities.....	75,743	81,411	640,607	690,336	211,736	230,334	176,956	209,294	236,405	230,846	485,994	480,073	582,149	606,494	164,082	158,519

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(8)	(20)	(15)	(11)	(109)	(53)	(158)	941 Companies								
	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	25,302	27,412	7,558	7,926	15,949	16,967	258,585	307,963	32,726	33,276	19,291	20,730	152,472	160,493	2,229,991	2,484,664
Trade investments	139	241	86	80	1,482	1,460	143,723	155,065	1,338	1,561	987	1,163	38,068	41,703	206,261	324,243
Stocks	12,923	10,382	9,694	9,505	11,044	8,188	65,392	69,414	5,184	4,016	10,242	10,268	36,355	36,863	1,505,974	1,488,216
Debtors	2,864	3,405	3,692	3,311	6,750	4,719	63,003	66,302	1,234	1,575	2,731	2,692	19,530	22,543	773,551	759,965
Net balances due to parent cos.					538	298	8,093	9,354		303			2,031	1,453	19,943	19,025
Gilt edged	1,075	6,715	68	68	504	547	21,259	25,803	3,563	3,705	921	816	3,504	2,930	160,539	165,997
Cash	11,383	4,490	1,889	3,125	1,390	3,092	112,163	77,434	13,871	10,331	5,370	5,695	97,727	23,038	515,192	529,715
Other marketable investments	3	3	150	150	1,437	1,419	11,406	11,282	533	545	2,294	2,349	158,325	168,227	220,184	243,032
Intangible assets	2,030	2,029	356	276	101	104	1,197	1,196	790	389	19		4,983	4,832	175,196	171,878
Total Assets	55,619	54,677	23,493	24,441	39,255	36,794	684,821	723,813	59,239	55,701	41,855	41,713	442,995	462,082	5,906,831	6,186,738
Bank overdrafts and loans	41	436	1,028	327	2,299	1,343	1,319	1,324	31	3	2,623	4,621	4,961	5,972	204,766	171,939
Reserve for future income tax	3,495	3,076	485	1,551	1,539	1,028	22,469	24,995	4,330	2,091	1,400	736	3,768	5,980	208,422	221,644
Depreciation and obsolescence	11,329	12,298	2,730	3,033	5,173	5,615	169,197	186,208	3,947	4,472	7,011	7,261	26,778	29,688	713,901	797,187
Capital reserves and EPT refunds	5,956	6,331	1,964	2,003	1,273	1,414	53,585	43,978	3,368	3,552	2,018	2,244	41,506	43,843	655,467	695,904
Other provisions	279	107	38	72	365	371	90,451	59,644	1,073	1,197	154	160	7,130	6,082	120,966	115,437
Current liabilities and creditors	7,896	5,822	4,577	4,366	6,382	4,658	136,217	139,192	11,556	9,092	9,177	7,563	38,605	39,854	1,221,048	1,235,853
Revenue res. and carried forward	6,062	6,223	4,079	4,971	7,791	8,174	123,580	133,155	9,076	9,598	6,629	6,335	57,359	61,016	1,034,802	1,126,464
Net balances due to subsidiaries							672	165					212	270	7,846	6,335
Minority interests	4	4			321	251	185	240	130	126	25	23	6,454	6,839	161,059	170,572
Debtenture capital	3,544	3,588	1,046	972	2,250	2,350	1,900	1,894	530	511	50	49	76,476	77,091	317,136	333,764
Preference capital	9,275	9,217	2,740	2,740	5,220	5,272	31,396	31,396	533	544	3,490	3,467	72,029	71,851	462,782	464,400
Ordinary capital	7,367	7,275	4,406	4,406	6,352	6,418	83,550	101,622	24,455	24,515	9,288	9,254	107,817	113,596	798,636	877,877
Total Liabilities	55,619	54,677	23,493	24,441	39,255	36,794	684,821	723,813	59,239	55,701	41,855	41,713	442,995	462,082	5,906,831	6,186,738

COMPANY MEETINGS

THE BRITISH PLASTER BOARD, LIMITED

GROUP'S OVERALL TREND OF STEADY IMPROVEMENT

EFFORTS TO ARREST RISING PRICES

LORD BELPER ON SHAREHOLDER'S VITALLY IMPORTANT ROLE

The thirty-sixth annual general meeting of The British Plaster Board, Limited, was held on July 29th at 20, St. James's Square, London, S.W.1, The Rt Hon Lord Belper, DL (the chairman), presiding.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended March 31, 1953:

BOARD OF DIRECTORS

Mr L. A. Elgood, who since November, 1944, has been one of our senior colleagues on the board of directors, has found it necessary to reduce his many important industrial commitments and, as a result, has tendered his resignation as a director of this company. It was with great regret that Mr Elgood's resignation was accepted and I take this opportunity of recording our sincere appreciation of the most valuable service and advice which he has rendered.

You will be asked to confirm the appointment of two directors who recently joined our board: Captain The Rt Hon Charles Waterhouse, MP, and Mr George F. Ashford.

Captain Waterhouse is known for his outstanding Parliamentary career, embracing ministerial rank. He has also had wide experience in industry and agriculture both at home and abroad. Mr Ashford is an important executive in the Distillers' group of companies. Apart from his industrial experience, he has a legal background which will be of considerable benefit to our board.

CONSOLIDATED BALANCE SHEET

Little comment appears necessary on the consolidated balance sheet. The slight increase in the total of £6,336,644 of fixed assets reflects the addition of some £358,000 capital expenditure during the year, less depreciation written off.

A year ago I referred to the interest we are taking in developments in the Rhodesias, and the investment we have now made in a new company—Allied Rhodesian Manufacturers (Private), Limited—accounts for the increase of £45,000 in the shareholdings in associated companies.

Your particular attention is drawn to the useful improvement in the group liquid position.

TRADING ACTIVITIES IN GREAT BRITAIN

The overall trend in this group of companies has been one of steady improvement. I should, however, mention one or two important digressions. In the plasterboard section, the recession in demand which occurred in the latter part of the previous financial year continued during the early part of the period now under review, but sales have increased substantially since August last and are still running at a high level. Our felt companies also experienced some lessening in turnover during the year. The stampings, drop forgings and valve-making companies have suffered some diminution in trade throughout the year, and this situation unfortunately still obtains. However, as I have already remarked, the trend has been one of

definite improvement for our group as a whole.

Looking to the immediate future, there are indications that this general trend will continue, except that there is now some fear that shortages of other important building materials—particularly of bricks—may possibly arrest the rate of increase in the building of houses and thus tend to curtail the expansion in our sales of building materials, particularly of plasters and plasterboard.

ASSOCIATED COMPANIES ABROAD

Our associate company in France Placoplatre, showed a considerably improved profit position by the close of their last financial year to the end of December, 1952, and I am glad to say that they have now been able to bring the depreciation reserve up to an adequate figure and to write off all preliminary and other starting-up expenses. If, as I have reason to hope following my last visit when I observed for myself how the organisation is being strengthened, the progress of that company continues as in the immediate past, it should soon be able to commence paying dividends.

The Irish company in which we are interested continues to do well.

I was able to take the opportunity earlier this year, to visit our associated companies in South Africa and the Rhodesias.

In spite of the somewhat unsettled times through which South African industry has been passing recently, our associate company there has fully maintained its turnover and trading results, and we have benefited during the year under review by an increase in the dividend received. I was much impressed with the whole organisation.

In the Rhodesias, the main activity at present is the building of a paper liner factory at Umtali, which will be of a size fully adequate to the requirements of the Rhodesian and nearby markets. It is hoped that this unit will be brought into production in or about August of this year. Here too, I considered the organisation to be on sound lines.

C. DAVIDSON AND SONS, LIMITED

As members are aware from the meeting which was held on May 29th, the recent amalgamation with C. Davidson and Sons, Limited, has now been completed and their assets and trading results will, of course, be included in our accounts for the year to March 31, 1954. Information as to the numbers of preference shares and stock units to be exchanged has already been circulated and appropriate announcements have been made in the press.

While this linking up of C. Davidson and Sons, Limited, with the British Plaster Board group leaves ample opportunity for us to continue to buy paper products elsewhere and thus to maintain our excellent relationships with other suppliers, there are already marked indications of the benefits we anticipated from this fusion of interests, in addition to those secured through the normal and excellent prospects of the Davidson organisation as a separate entity.

As members will know, setbacks common to many, if not all, in the paper industry have been experienced for some time past, but it would seem that demand is once more substantially on the upgrade.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The group trading profit for the year at £1,398,641 shows an increase over the previous year of £138,898, after writing off depreciation amounting to £320,507 in comparison with £299,769 for the previous year, and, in spite of the need to provide for profits tax, income tax and excess profits levy totalling not far short of £1 million, the balance of profit for appropriation—£478,428—shows a useful increase of £59,545 over the previous year. We are, therefore, in some measure reaping the benefit of the large capital expenditures which we have incurred since the war. We have also been greatly helped by the increased freedom of action accorded to us, and others, by the removal of many government restrictions.

In achieving this larger profit, increases in wages and salaries have been paid to the group's personnel and in an endeavour to play our part in arresting the upward trend in prices we found ourselves able to make a number of reductions in the prices of our products, notably in the prices of our building plasters and plasterboard, which were reduced in the autumn of last year.

Since prewar days there has been no real change in the rate of dividend paid to our members, beyond the small adjustment in the dividend last year from 16½ per cent to 17½ per cent.

Bearing in mind that our stockholders number over 17,000 it will be appreciated that the average holding per member is less than £200 of issued capital. The majority of the stockholders of this group is undoubtedly drawn from those of the modest income groups, the last part of whose income is thus subjected currently to tax at the rate of 9s. in the £. This means that, after allowing for the substantial fall in the purchasing power of sterling since prewar days, and for the large increase in the standard rate of income tax, the real return to the average stockholder is now only between one-third and one-quarter of that received prewar.

SHAREHOLDER'S VITAL IMPORTANCE

In some quarters, a shareholder is regarded—temporarily, I hope—in a most unfavourable light. On the other hand, all recognised leaders of public opinion wax most eloquent on the need to save. It does not seem to be generally appreciated that the shareholder and the saver are one and the same person, but failure to realise this fact—whether intentional or inadvertent—is, to my mind, senseless and encourages the development of policies injurious to the national economy. We all realise that it is necessary that savings be put into the hands of those in government circles by various means, including the great National Savings movement, but no one will deny that in the long run, it is essential

that savings be first put into industrial and agricultural production. Few public leaders in this country seek to deny that at any rate a very substantial portion of British industrial and agricultural effort must be left in the hands of individuals as distinct from government-controlled organisations. It is high time that the shareholder or saver, call him which you will, is once more recognised as a vitally important and, may I add, completely reputable member of our society, with every right to rewards by way of dividends for the risks taken.

Thus, so far as this company is concerned, let us not forget that it is the shareholder who has provided the capital which has enabled our group to be built up and that it is on this capital that rests the prosperity of all our employees and, of course, the provision of a number of vital commodities. The re-establishment of appropriate rewards for thrift is, in my view, essential if the national economy is to recover its health, and your directors are very glad indeed that the net profits of the year under review are such as will enable them to make up, in some small measure, to the shareholders for the loss they have suffered in real earning power, by recommending an increase of 2½ per cent in the final dividend making 20 per cent in all for the year. They have also appropriated £100,000 to general reserve, leaving £48,472 to be added to the carry forward in the parent company.

PERSONNEL

I am sure it is not forgotten that it is by the combined efforts, at all levels, of management, staff and operatives, that the satisfactory results now set before you have been attained, and I am happy to place this on record so that it may be fully recognised.

A contributing factor to the smooth running of our organisation is the continuance of a frank and open relationship with the national and local trade unions representing so many of our employees.

The report and accounts were adopted and the final dividend of 12½ per cent, making 20 per cent for the year, was approved.

The retiring directors were re-elected and the remuneration of the auditors having been fixed, the proceedings terminated.

At a subsequent extraordinary general meeting the alteration to the articles of association was approved.

THE LONDON COUNTY FREEHOLD & LEASEHOLD PROPERTIES

The forty-third annual general meeting was held on July 27th in London.

Mr Thomas J. Cullen (chairman and managing director) in the course of his speech said: The rent actually receivable for the year was £2,217,247, being £118,164 more than last year. The gross rent roll representing the total rents actually in force at March 31, 1952, was at the rate of £2,172,494 per annum and at March 31st last at the rate of £2,043,268 per annum, an increase of £129,226 per annum. There is a total available balance of £614,347.

A sum of £50,000 has been transferred to general reserve and £30,000 to repairs, redecorations and renewals provision in addition to the annual provision. A provision to meet the average cost of all repairs over a period of years is made each year as a charge to revenue. This charge is calculated with great care so that money is always available for the proper maintenance of all properties.

The cost of services included in the rents continues to rise. It is unthinkable that the

Government will delay beyond the next Parliamentary session an amendment to the Rent Restrictions Acts giving landlords the right to recover from their tenants the added cost of services provided in addition to such increase of rent as may be considered reasonable.

We hope you will feel that our results are not disappointing bearing in mind the large proportion of rent controlled flats. All our properties continue to be well maintained.

More than 3 per cent of our dividend is derived from the investments made since 1939 and, therefore, the stockholders are receiving from the prewar investments some 3 per cent per annum less dividend than was paid for a number of years before the war.

The report was adopted and the total dividend of 1s. 1½d. per 10s. unit of ordinary stock was approved.

HICK, HARGREAVES AND COMPANY LIMITED

CONTINUED PROGRESS

MR W. D'ARCY MADDEN'S SPEECH

The sixty-second annual ordinary general meeting of Hick, Hargreaves and Company Limited was held on July 29th, at Bolton.

Mr W. D'Arcy Madden, chairman and managing director, who presided, said: The balance sheet this year shows the change in the share capital of the company since the last report. At the extraordinary general meeting of the shareholders held on March 6th last, the authorised share capital was increased to £800,000 by the creation of 512,000 new shares of £1 each, and following this your directors offered 48,000 of the new shares to the holders of the existing shares at the price of 52s. 6d. per share. This offer was heavily over-subscribed and as a result the issued share capital is now £336,000. The capital reserves are now increased by £70,240 from the share premium account, thereby bringing the capital reserves to a total of £167,753.

LARGER NET PROFIT

The trading results for the year to March 31, 1953, reflect the continued progress made by the company. The net profit of £401,141 before taxation compares with £305,796 in the preceding year and £284,871 in the year before that. Out of the past year's profits, taxation amounts to no less than £233,076, which is 58 per cent of the profit earned. The balance available with £23,010 brought forward from the previous year amounts to £191,075.

Of this sum your directors, following their well-established practice, have ploughed back through adding to the reserves the important sum of £90,000. The revenue reserves, apart from the amounts set aside for Income Tax and Supplementary Pensions, now amount to £611,355. This includes £150,000 set aside for plant extensions and replacements, making a very necessary addition to the small amount allowed for depreciation. Also included is the reserve to meet depreciation of stock, namely £30,000. This should be a sufficient provision since the stocks carried are not large, and the turnover period is fairly short. The general reserve has been increased to a total of £400,000 and the carry-forward to next year's accounts is rather more than last year, namely, £31,355.

DIVIDEND AGAIN 20 PER CENT

The final dividend recommended is 15 per cent, making again 20 per cent for the year.

The dividend policy of this company has over many years been moderate but reasonable, avoiding fluctuation. The ploughing back of profits has unquestionably been the means of putting the company into the sound and strong position in which it stands today. These reserves have now, however, reached a point where a further distribution of a scrip bonus can well be considered, and this is under the careful consideration of your board of directors.

This year, as you see from the accounts, £18,000 has been set aside for a bonus to our staff and workpeople, and £15,000 to augment the pension supplementary reserve which was formed last year and to which I referred at the last general meeting. Our success as a company has been obtained through the team work of all concerned, and I am sure that our continued policy of giving a share in the profits to those whose efforts have brought them about will meet with your approval.

CONTRACTS EXCEED £5 MILLION

The works have been in full production throughout the year and the turnover was increased by over 20 per cent on the previous year. The contracts on our books exceed £5 million sterling and include condensing plant and feed heating contracts for the British Electricity Authority for commissioning up to the end of 1958. Good progress has been made with the extensions to the works, to which I referred a year ago, and we hope to have our new erecting shop in production before the end of 1954.

I have already referred to our staff and workpeople, and I again thank them and my colleagues on the board for their good work and loyal co-operation.

The report and accounts were adopted.

THOMAS BROWN & SONS

The fifty-sixth annual general meeting of Thomas Brown & Sons, Limited (general merchants, manufacturers and warehousemen), was held on July 24th in London, Mr John M. Lawrence (the chairman) presiding.

The following is an extract from his circulated statement:

Traders generally in the early part of 1952 held stocks which were considerably in excess of their immediate requirements, and this factor, which culminated in the import restrictions imposed by the Australian Government in March of that year, gave rise to a substantial reduction in the company's turnover during the early part of the year under review. Trading conditions generally, however, improved during the latter part of the year, and the turnover for the twelve months was only some few thousand pounds less than the previous year, which had constituted a record since the company commenced trading.

The net profit after taxation amounted to £64,598, compared with £113,470 in the previous year, and £84,652 in 1950-51, and cannot in the circumstances be considered unsatisfactory. Your directors recommend a total dividend of 4s. per ordinary stock unit (or 20 per cent) for the year.

During the last few months some relaxation in the import restrictions has been made and it is hoped that the restrictions will soon be entirely removed.

Sales during the first few months of the current year show some increase, and we look forward to the year's trading with confidence, although we cannot expect trading conditions generally to be so favourable as those prevailing in our record year, 1951-52.

The report was adopted.

THE STANDARD BANK OF SOUTH AFRICA

ADDITIONAL RESOURCES FOR EXPANSION

ISSUE OF 2 MILLION IN £1 SHARES

SIR FREDERICK LEITH-ROSS ON TRADING CONDITIONS

The one hundred and fortieth ordinary meeting (being the annual general meeting for the year 1953) of The Standard Bank of South Africa, Limited, was held on July 29th in London, Sir Frederick Leith-Ross, GCMG, KCB (the chairman), presiding.

The following is an extract from his circulated statement: If you will turn to the balance sheet you will observe that the position shown is one of greater liquidity than last year. This arises from a period of relative stabilisation in Southern Africa.

The items cash in hand and cash at call and short notice are up by £12 million, bills discounted (which largely represents Union Government and United Kingdom Government Treasury Bills) are up by £17 million, and remittances in transit up by £8 million, so that there is an increase of £37 million in our most liquid assets. On the other hand, the items bills of exchange and advances to customers are together £15 million less than they were a year ago, and the item investments is down by £5 million, while there is an increase of £17 million under the heading current and deposit accounts, which represents, of course, an equivalent addition to our cash resources.

The reserve fund now stands at £6 million as against £5 million at this time last year. The issued capital, amounting to £5 million, remains unchanged, but there was posted to you on June 27th a circular letter advising you that the board have decided to issue and offer to shareholders 2 million new £1 shares which will be fully paid up and which will increase the capital from £5 million to £7 million. The premium on the shares will be placed to share premium account and the reserve fund further increased accordingly.

From the profit and loss account you will see that after providing for taxation, after making a transfer to the credit of reserve for contingencies and after making an allocation to the officers' pension fund, the profit amounted to £594,762.

To balance of profit £594,762 we add the balance brought forward from last year, £220,372, and thus have a total of £815,134 for disposal. An interim dividend of 9d. per share was paid on January 31st last which, after deducting income tax, amounted to £98,437, and there is therefore a balance now available of £716,697. From this has been appropriated to bank premises the same amount as was allocated last year, that is, £200,000—leaving £516,697. It is recommended that a dividend of 1s. per share, plus a bonus of 6d. per share, be paid, leaving a balance of £310,447 to be carried forward to next year's accounts. Together with the interim dividend, this final dividend and bonus makes a total distribution of 2s. 3d. per share or 11½ per cent, and represents an increase of 1½ per cent in the distribution.

FINANCE AND DEVELOPMENT CORPORATION

Together with the balance sheet there will be found the accounts of our wholly owned subsidiary, the Standard Bank Finance and Development Corporation, Limited. The corporation has continued to expand the assistance which it has rendered to customers of the bank in connection with suitable development projects and this will be seen

from the fact that loans and interest accrued thereon has increased from £730,636 at March 31, 1952, to £1,309,418 at the date of these accounts. To do this the corporation has had to raise an overdraft of £757,288 from the bank, which is unduly high in relation to its capital. Accordingly, we are proposing that the capital of the corporation should be increased by £500,000, that shares to that value should be taken up by the bank and that the proceeds should be applied in reducing the corporation's overdraft. The bank's investment in the corporation will thereafter amount to £1 million. The profit of the corporation for the year, after making provision for taxation, etc., amounted to £13,056 and this, added to the balance of profit brought forward, amounts to £40,261, which is carried forward to the next accounts. Despite the disturbed conditions in Kenya, where many of the corporation's loans have been made, the corporation's trading experience is satisfactory and we are indebted to the local directors in East Africa for the sound advice and assistance they afford in connection with the affairs of the corporation.

The remainder of my statement gives a brief summary of economic and trading conditions in the territories in which the bank operates, but before I come to that I would like to remind you that this year Southern Rhodesia is celebrating the Rhodes Centenary and in connection with these celebrations an important exhibition, representative of all the activities not only of Rhodesia but of Central Africa generally, is being held at Bulawayo. This bank opened an office in Rhodesia in the year 1893 at the direct request of Mr Cecil Rhodes and was the first banking institution to operate in that country, so that we are very directly interested in this anniversary.

UNION OF SOUTH AFRICA

In the Union of South Africa, business activity in 1952, while maintained at a high level, showed a comparative stability, in terms of money, at least, as contrasted with the rapid expansion of the previous post-war years.

Two new features of great importance to the Union's future trade balance, and to its economy generally, made their appearance during the year. These were the first output of gold from the Free State mines and the steps taken to establish the production of uranium.

That there would be a slackening in the momentum of commercial and industrial activity was not unexpected. The selective policy which the financial institutions were asked to adopt was undoubtedly a contributory factor towards the levelling out of business expansion and acted as a steadying influence on those who, under the influence of the buoyant post-war years, were tempted to over-trade.

SOUTH-WEST AFRICA

In all parts of South-West Africa trading turnovers reached satisfactory totals, notwithstanding the contraction in income in certain branches of farming caused by drought. In many instances sales figures exceeded the results for earlier years by substantial margins,

particularly in those centres where trade is being stimulated by the rapid progress of the fishing industry. Trading has benefited also as a result of the expansion that is taking place in the mining industry. The territory continues to achieve a substantial favourable external balance of payments.

SOUTHERN RHODESIA

Trading turnovers reached fairly satisfactory totals, although merchants generally regarded their sales during the year as disappointing. Spending by consumers was careful; staple goods were in constant and expanding demand, but the market for less essential and luxury lines was difficult. Additional rolling stock received during the year has increased the capacity of the railway system, but it is still much overloaded, and a programme of capital expenditure amounting to £27 million has been planned over the next three years.

Manufacturing activities correspond generally with the availability of local resources of raw materials, notably iron ore, asbestos and limestone and of agricultural products, principally tobacco and cotton; but the development of secondary industries has in recent years attracted much overseas capital, and technical skill and their range and capacity have been greatly broadened.

NORTHERN RHODESIA

Trade benefited last year by the sustained prosperity and expansion of the mining industry, principally as a result of which there were further increases in the population of the territory and in levels of employment and earnings.

NYASALAND

In some respects trading conditions were difficult during the past year notwithstanding that both imports and exports rose in value to new record levels. Demand in the African trade was adversely affected by a contraction in income resulting from the smaller tobacco crop which was affected by the excessive rainfall. Current reports indicate the prospect of satisfactory turnovers as the outlook for crops is more favourable than last year. The principal exports are tobacco, tea, cotton, maize and groundnuts.

CHAIRMAN'S TOUR

The statement then reviews the economic and trading conditions in the territories in which the Bank operates and continues: Of general conditions in Southern and Central Africa, where I recently made an extensive though rapid tour, I should say this. Although undoubtedly there are some serious political and social problems in each area, there seemed general confidence that these would not be allowed to impair economic progress. Wherever I went I was impressed by the widespread development that was noticeable. In the Union, quite apart from the opening up of new gold mines, there was intense activity in general building and industrial construction in all the larger centres. I was told that during the past few years, industry had been expanding at the rate of 25 per cent

per annum, and that the value of industrial output now exceeds £1,000 million a year—five times what it was in 1939. This expansion is still going on, and it is perhaps just as well that the tighter conditions prevailing in the capital markets may necessitate some slackening of the pace. Similar conditions prevail in the Rhodesias, although in Southern Rhodesia tobacco growing and in Northern Rhodesia mineral production still remain, of course, the most important economic activities. Even in East Africa, despite the present difficulties, active development goes on, as evidenced by the proposals coming before our Development Corporation, and in Uganda there are a number of important projects on foot, under the auspices of the Government Corporation. In this refreshing climate of vigorous and for the most part healthy expansion, your Bank must continue to play its part, and the additional resources arising from the proposed issue of new shares should assist towards this objective.

The report and accounts were adopted.

FOY, MORGAN AND COMPANY, LIMITED

MR PETER MORGAN'S STATEMENT

The eighteenth Annual General Meeting of Foy, Morgan and Company, Limited, was held on July 28th at the offices of the company, 16, Eastcheap, London, E.C.3, Mr Peter Morgan (the chairman) presiding.

The following is his circulated statement:

Before dealing with the result of the company's trading for the year ended December 31, 1952, I must refer to the great loss we have suffered in the sudden death of our late chairman, Sir Gerald Lenanton. The whole timber trade will greatly miss his wise counsel and dynamic energy.

As Sir Gerald mentioned in his statement last year, the 1951 results were exceptional, and unlikely to recur in the near future, and you will observe that the accounts now before you show a decline in the profit earned, as compared with that year. Nevertheless, after payment of dividends on the preference and ordinary share capital, and provision for transfer to the pensions account, the balance carried forward to profit and loss account has been increased by approximately £37,500.

In fulfilment of the authority given at the last Annual General Meeting, the second preference share capital has been converted and increased, so that the total paid-up capital of the company is now £557,610.

Mr I. R. Lundborg, who was in charge of our Swedish softwood business, retired from the board on December 31, 1952, after nearly 50 years of loyal and devoted service to the company. We still retain the benefit of his long experience in the trade, in an advisory capacity.

You will be invited to confirm the appointment of Mr J. G. Wright as a director. Mr Wright is the grandson of the late Mr D. B. Gellibrand, who was a partner in the firm until his death in 1923.

A further measure of freedom in softwood has been obtained for 1953, but the trade is still confronted with restrictions such as the continuation of consumer licences for softwood, the reintroduction of a temporary ban on the importation of hardwood, with certain exceptions, the present import licensing system for plywood, and the limitation of foreign currency allowed for wallboard. Your company is, however, in your directors' view, obtaining its proper share of 1953 business.

The report and accounts were adopted.

THOMAS DE LA RUE AND COMPANY LIMITED

FACTORS AFFECTING RESULTS

MR B. C. WESTALL ON CURRENT IMPROVEMENT

The fifty-sixth annual general meeting of Thomas De La Rue and Company Limited was held on July 29th in London.

Mr Bernard Clement Westall, CBE (the chairman), in the course of his speech said: In the accounts this year there is one figure that dominates the picture, that is the conversion of a profit last year of £659,000 into a loss of £71,000 before taking taxation into account. In the circular letter that I wrote to stockholders last November I intimated then that there had been a sharp recession of trade on the industrial side of the business and that whereas the security side continued to make a satisfactory profit, most of it had been offset by these losses.

The primary reason for the sharp deterioration in the trading figures of the industrial side was due, on the plastics side, to the collapse of the Australasian market for "Formica" owing to import restrictions. These restrictions equally affected the stationery side. On the gas side, the fall in sales was due to the necessity for the gas boards to reduce their stocks of gas cookers and other appliances in accordance with the policy of the Chancellor of the Exchequer.

The action which has been taken to clean up the stock position puts the industrial side in a more promising condition. While it must not be expected that there is going to be a rapid recovery on the industrial side, yet the very big economies that have been carried out in the course of the last 15 months are now bearing fruit. The sales of "Formica" are increasing slowly but surely, although these, together with the sales of "Delaron," have yet to reach a stage to warrant full-time resumption of work at Tynemouth. I am hopeful that by this time next year, providing there is no marked deterioration in trading conditions, I shall be able to inform stockholders that the Plastics Division has been again on a profit-earning basis.

The stationers, like the plastics, business was badly affected by the curtailment of Australian imports, for this Dominion was one of our best customers for "Onoto" pens.

SECURITY PRINTING EXPANSION

On the security side of the business our profits were well maintained, and this year, again, there is a satisfactory amount of orders in hand. Since the disappearance of China as a customer, and the decision of Pakistan to make—with our co-operation—their own security documents in Karachi, the effort made to extend our business in other fields has proved very successful. Since the war nineteen countries have become customers for bank or currency notes in addition to those who were already purchasing their supplies from the company. This broadening of the basis of the company's security printing business will, I consider, be a reliable source of strength for many years to come.

The balance sheet position, as a whole, is a strong one, and with a steady improvement on the industrial side I think stockholders may be confident in the company's ultimate recovery, but, as I said in my circular letter, this must inevitably be gradual. The results of the first quarter, though they cannot be taken as a firm and reliable forecast for the whole year, are substantially better than they were a year ago.

The report and accounts were adopted.

OHLSSON'S CAPE BREWERIES

The sixty-fourth annual general meeting of Ohlsson's Cape Breweries, Limited, was held on July 29th in London.

Mr Geoffrey Dent (the chairman) presided and in the course of his speech said: During the year under review conditions have not been very favourable to our trade. The spending power of the public has been low, and there has been a good deal of political uncertainty which has naturally affected business. On the whole, however, sales have been well maintained and show an increase over last year.

Our trade at the Cape has been fairly well maintained, but in the Transvaal there has been a decline. Natal and Rhodesia show very satisfactory increases.

In spite of the increase in our sales profit margins have continued to fall, owing to the continued rise in expenses.

The profit on trading and rentals of the company and its subsidiaries for the year after charging all working and management expenses but before providing for depreciation amounted to £569,078.

The directors recommend a final dividend on the ordinary shares of 17½ per cent, making a total distribution of 22½ per cent for the year.

With regard to the future, I can only say that owing to the incidence of the General Election, and rather poor weather, sales as a whole to date this year show a small decrease on last year, although some areas continue to show increases. I can see no reason why, with more stable conditions, they should not now improve.

The report was adopted.

MILLARS' TIMBER AND TRADING COMPANY, LIMITED

The annual general meeting of this company was held on July 24th, in London.

Colonel Clive E. Temperley, OBE, MC, BSc, who presided, in the course of his speech, said: During 1952 the sellers' market, which had lasted for so long in many trades, including the timber trade, turned to a buyers' market and, as a consequence, prices dropped. This largely accounts for the fall in the trading profits of the group from £562,000 in 1951 to £472,000 in 1952. Owing to the incidence of taxation, however, the net profits increased from £135,000 to £150,000, which are record net profits for the company. The directors recommend that the dividend on the ordinary shares should be 25 per cent, an increase of 5 per cent.

Owing to the great demand both in Australia and throughout the world for our Jarrah and Karri, we feel confident that our production, whatever it may be, will be sold.

As you are aware, we have selling branches not only throughout Australia but also in South Africa, India, the United Kingdom and a number of other places in the world. Originally these branches were established largely for the sale of our Western Australian timbers but during the last 15 years we have gradually increased our business in merchandising all kinds of hardwoods and softwoods produced by other people.

Millars' Machinery Company, a wholly-owned subsidiary, has had another successful year. Taking the group as a whole, our turnover for 1952 was more than £6,500,000—over six times the issued capital.

TRUST HOUSES LIMITED

NOTABLE CONTRIBUTION TO TOURIST INDUSTRY

CAPT A. R. S. NUTTING ON THE CONTINUED PROGRESS

The fiftieth annual general meeting of Trust Houses Limited, was held on July 24th, in London.

Captain A. R. S. Nutting, OBE, MC, the chairman, in the course of his speech, said:

It will be of interest to our shareholders to know that our total expenditure on repairs, renewals, and improvements for the last three years reached the very large figure of £1,762,000.

I am glad to be able to report an increase in our trading profit of roughly £57,000 after providing for maintenance. I think we can view this with considerable satisfaction.

Some few months back I had a statement taken out which I think might be of interest. In the last 15 years our net assets have increased 65 per cent, our turnover has more than trebled; the number of meals served has increased by 70 per cent, and the number of sleepers by 90 per cent.

These facts are I think full justification for the board's policy of conservative finance. A substantial part of our profits must be spent in keeping the company's houses up to date, and this has not only paid in reputation and goodwill, but has enabled us to maintain our earnings, which we certainly should not have done had we been content to stand still and not kept our properties abreast of increasing competition.

I have often told you that we run our business on very small profit margins, but we endeavour to keep our standards high, and at the same time to maintain a price which our customers can afford, and I think the fact that our turnover is the highest on record encourages one to believe that our policy and effort is meeting with success.

As regards the future, you would not wish me, and I should be very unwise to try, to prophesy, but your company has a reputation for a reliable standard at reasonable prices, whether in two rooms or two hundred room establishments and it is our policy and intention to maintain and enhance that reputation.

CAPTAIN K. C. McCALLUM: MANAGING DIRECTOR'S REMARKS

I should like to say a word about a subject which has been commented on recently; that is the part played by British hotels in the furtherance of what is described as tourism. The annual report of the British Travel and Holidays Association names seven industries in order of their contribution to the country's earning of United States dollars. These are topped by tourism with £31,560,000 worth of dollars to its credit. But the report goes on to say, and the statement has been widely quoted in the press that "the majority of hotels seem unaware of the necessity to increase overseas business." That certainly does not apply to the hotels of your company.

I venture to say that Trust Houses has done more than any other organisation to improve the standard of hotels throughout Great Britain. Part of our policy has been to take over derelict hotels, modernise and refurnish and re-equip them, thereby bringing into dollar-earning, hotels which would otherwise have played no part in the tourist industry.

Another part of our policy has been to build on extensive additional accommodation in the places to which most tourists go.

The report and accounts were unanimously adopted.

EX-LANDS NIGERIA

The forty-first annual general meeting of Ex-Lands Nigeria, Limited, was held on July 28th in London.

Major General W. W. Richards, CB, CBE, MC, the chairman, in the course of his speech, said: Dealing with the mining side, 620 tons of tin concentrates were recovered assaying approximately 74 per cent metal—this is 10 tons more than the 1951 figure. The output was obtained from some 1,669,060 cu yd mined and the average value of the ground (excluding tribute) was 0.70 lb. per cu. yd.

The ore reserves at December 31, 1952, were 4,614 tons tin concentrates. This is an increase of 5 tons on last year after allowing for the 620 tons produced; that is, a net increase of 625 tons during the year. The reserves are contained in 11,320,000 cu yd equal to an average of 0.91 lb per cu yd.

The profit available for distribution is £69,123, compared with £59,527 for the previous year. The directors recommend a final dividend for the year of 7.2 pence per unit of stock (30 per cent) making a total distribution for the year of 1s. per unit of stock.

The output for the first half of the current year was 303 tons tin concentrates. This compares with 290 tons for the corresponding period of last year.

Producers are seriously concerned at the current price of tin and every effort will be made to represent this factor to the authorities concerned with a hope of obtaining some concession to producers. Our costs compare very favourably with other Nigerian producers and we have every reason to believe that the prosperity of our company will continue.

The report and accounts were adopted.

BREMANG GOLD DREDGING COMPANY

The sixteenth annual general meeting of Bremang Gold Dredging Company, Limited, was held on July 28th in London.

Major General W. W. Richards, CB, CBE, MC, the chairman, in the course of his speech, said:

Bullion revenue at £465,262 showed a decrease of £48,701 compared with the previous year. 34,969 fine ounces of gold were produced against 40,861 and the average price we received was £13 5s. 6d. per ounce against £12 11s. 7,034,100 cu yds were treated for an operating expenditure of £290,627.

The profits for the year before the reserve allocation was £64,767, slightly higher than last year. The directors are happy to recommend again the payment of a dividend of 7½ per cent for the year.

Turning now to dredging operations, the aggregate throughput was lower than the previous year. This was due to the fact that No. 2 dredge, having worked through its ground on the Ankobra River, ceased operating in July, 1952, and has since been dismantled and transported to the Bremang Extended Areas (Offin) and is now in process of being re-erected.

The returns for the first half of the current year show that 3,547,300 cubic yards have been treated for a recovery of 16,911 ounces of gold and an operating profit of £84,093. These figures, compared with the corresponding period of last year, show a reduction of just under 200,000 cubic yards treated, 2,000 ounces of gold less recovered and £16,000 less profit, but it must be remembered that we had four dredges operating last year whereas only three were working during the current year.

The report and accounts were adopted.

ASSOCIATED BRITISH PICTURE CORPORATION

20 PER CENT DIVIDEND MAINTAINED

The twenty-sixth annual general meeting of Associated British Picture Corporation Limited was held on July 30th in London, Sir Philip Warter (the chairman), presiding.

The following is an extract from his circulated statement:

The group trading profit shows a decline of £272,999 from £2,340,775 to £2,067,776. The net group profit, after tax, is £498,077, which is £31,264 less than the corresponding figure of £529,341 for the previous year.

After referring to the decline in attendances at the group's cinemas the chairman continued: Year after year I have told you of the heavy burden of entertainments duty and have appealed to successive Chancellors for an overall reduction, together with a drastic revision of the scale of tax, as between varying seat prices.

The Chancellor, in giving small concessions, has placed emphasis on the small cinema at lower seat prices with the result that the modern, well-equipped theatres, which comprise the greater part of our circuit, are handicapped in comparison and, indeed, suffer an actual increase in the burden.

A reduction in entertainments duty is the simple remedy which, if applied in time and on a scale far greater than hitherto contemplated, would provide a real tonic to the whole industry at a critical moment in its history. In the meantime a situation is rapidly developing which will have a disastrous effect on employment unless help is quickly forthcoming.

I hope that at the last hour it may still be possible to persuade the Government to abandon their ill-judged plan for permitting commercial television in this country. I must warn you that the competition of commercial television would have very serious consequences for every section of the film industry.

PRODUCTION

Our plans in regard to film production must be influenced to a great extent by the Government's decision on the future of entertainments duty and the Eady plan.

I can only emphasise that, without some reduction in entertainments duty, the continuance of the Eady plan alone provides insufficient help to maintain British film production. As I mentioned last year, the sum collected through our cinemas and paid over to the Eady Fund is greatly in excess of any benefits we have received, or can hope to receive, on the films we have produced ourselves.

Apart from the rebuilding and re-equipping of the studios at a cost of one and a quarter million pounds, the corporation has provided very substantial sums towards the cost of production of British films. It would be nothing short of a tragedy if, through lack of Government support at this critical juncture, all the good work which has been done by ourselves and others in the national interest should come to an end and result in the closing down of our Elstree Studios, with all the consequences involved.

Addressing the meeting, Sir Philip, as promised in his circulated Statement to the Shareholders, stated that, taking the Group as a whole, the indications are that the business is being maintained on a basis comparable with the corresponding period of last year.

The report was adopted and a final dividend of 12½ per cent, making 20 per cent for the year, was approved.

BURBERRYS LIMITED

IMPROVED RESULTS

The thirty-fourth annual general meeting of Burberrys Limited was held on July 29th in London.

Mr Geoffrey Bostock, FCA, the chairman, said: Ladies and gentlemen.—My statement on the accounts for the year to March 31, 1953, is printed with the report and accounts, and although it was completed a month ago I do not wish to make any addition to it except in regard to the concluding section which relates to the year 1953-54.

The freehold and leasehold premises which the Company owns are today worth considerably more than their book value, which at March 31, 1953, was £627,878.

The board has under consideration a scheme to realise these properties (with the exception of the Paris premises) and to take leases of those premises which we are now occupying, and out of the proceeds to pay off a substantial part of the preference stock as part of a capital reorganisation.

In view of the delicacy of the negotiations, I am sure stockholders will not expect me to make any further statement on this matter.

The following is an extract from the chairman's statement, which had been circulated with the report and accounts:

At the last annual meeting I said that if the indications of the improvement in sales shown in August and September last continued, I would expect a moderate profit for the year to March 31, 1953. The results shown by the accounts are better than I expected.

The prices of cotton and wool, which showed such wide fluctuations in the previous year, have not moved so violently in the past year, in which cotton prices have come down by approximately 25 per cent and wool prices have gone up about the same percentage. Owing to the hardening of wool prices our suppliers are now quoting up to nine months for delivery, whereas twelve months ago they were accepting orders for delivery in three to four months.

As I promised at the last annual meeting, the board has made a careful review of the company's organisation, and has instituted changes which have already shown some benefit, although only put into effect in the last few weeks of the financial year.

RESULT OF YEAR'S OPERATIONS

The profit on trading before charging directors' remuneration and depreciation was £159,377. At March, 1952, the corresponding figure was £72,844, but as this was after providing £253,849 for writing down stocks and covering forward contracts, I prefer to compare the 1953 figure with £326,693, the profit before writing down stocks. Bearing in mind that selling conditions in the first six months of the year to March 31, 1952, were favourable, and in the corresponding period in 1953 were the reverse, I consider that the 1953 profit on trading does show partial recovery towards the higher profit the business should earn.

The net profit for the year is £50,490, and there is a disposable surplus of £92,318, out of which the directors recommend the payment of the fixed preference dividend for the two years to March 31, 1953, leaving £9,818 to be carried forward.

Our foreign trade (inclusive of sales to overseas visitors at the Haymarket) was 49 per cent of total turnover.

I am hopeful that the year 1953-54 will show an improvement in profit.

The report and accounts were adopted.

PARKLAND MANUFACTURING COMPANY

DISTRIBUTION OF CAPITAL PROFITS MARKS GOLDEN JUBILEE

The fiftieth annual general meeting of Parkland Manufacturing Company, Limited, was held on July 27th in Bradford, Mr George F. Hanson, the chairman, presiding.

The following are extracts from his circulated statement:

This is the fiftieth annual general meeting of the company, and your directors are very pleased that the accounts for the year of the company's Golden Jubilee and the distributions they are recommending will mark this important occasion in a tangible and satisfactory manner.

We delivered in the full year to February 28, 1953, a greater yardage of cloth than ever before in the history of the company. This improved output was reflected in our profits which, for Parkland Manufacturing Company, Limited, amounted, after charging all expenses and full provision for taxation, to £130,532, against £48,992 for the previous year. For the group the profits, after taxation, amounted to £252,911, against £99,302.

The consolidated balance sheet gives the best picture of the position of the group as a whole.

The current assets of over £2 million are almost four times the current liabilities of just over £500,000 and the liquid surplus is £1,536,791.

The total capital reserves and revenue reserves, exclusive of the provision for future taxation, amount to £887,887, which is substantially more than three times the amount of the issued ordinary capital of the parent company. We hope to be able to arrange for a capitalisation of some part of the reserves before the publication of the next accounts.

Out of the increased profits your directors have transferred the sum of £45,154 to general reserve to bring it up to a total of £264,000, which is exactly equal to the nominal amount of the issued ordinary share capital, and a further £15,000 to staff benevolent fund to bring that account up to £25,000.

A final dividend on the ordinary shares is recommended at the rate of 25 per cent, less income tax, which will make 32½ per cent for the year compared with 25 per cent.

DISTRIBUTION OF REALISED CAPITAL PROFITS

It has long been our policy to re-equip our mills with the finest and most efficient machinery obtainable, as well as to modernise existing plant throughout all our businesses. This has resulted from time to time in the sale of some of our buildings and plant which were no longer required. The disposal of these assets has given rise over the years to capital profits in the various businesses and your directors have decided that it would be a fitting way of marking our Golden Jubilee, which by a happy coincidence falls in Coronation year, by distributing these capital profits to the shareholders.

Accordingly it is proposed that, at the same time as the payment of the final dividend, the shareholders should receive a capital distribution at the rate of 33½ per cent free of income tax upon the issued ordinary capital.

OUTLOOK

Since the end of the financial year our sales and production have been well maintained. Our plant has been working to capacity without being able to cope with all the orders offered to us. As a result we have, with regret, had to restrict our sales to maintain reasonable delivery dates.

In the absence of any serious fall in the price of wool with a resulting loss of confidence and reduced demand, I see no reason to be anything but optimistic about the prospects for the current year, but the wool textile industry is one in which the situation and outlook have, in the past, been liable to change very quickly, and this is a factor which can never be overlooked. I believe, however, that we shall obtain a good share of the available business having regard to the conditions which prevail from time to time.

The report and accounts were adopted.

BANCO DE LONDRES Y MEXICO, S.A.

INCREASED DEPOSITS

SUMMARY OF REPORT BY THE BOARD ON THE BANK'S ACTIVITIES DURING THE FISCAL YEAR 1952

Regardless of the fact that during the last fiscal year life in this country was affected by serious national and international events and by unfavourable agricultural and livestock situations, the bank's deposits increased in the amount of \$48,242,143.56, totalling \$282,819,520.70, of which \$250,050,276.45 represent sight deposits, \$4,436,305.78 time deposits, and \$26,332,938.47 savings accounts; the credit balances of banks and correspondents amounted to \$32,597,849.71 showing an increase, as compared with the previous year, of \$6,041,600.49.

The liquidity of the institution is maintained high with: cash on hand, deposits in Banco de México, S.A., and transit items up to \$149,785,058.35. Furthermore the bank maintains securities as a part of the legal reserve and of immediate sale, totalling \$56,063,384.52.

Due to the unfavourable circumstances mentioned above and to the usual conservative policy of the bank, the portfolio figures were not increased but maintained similar to those of the previous year.

In compliance with the request of Banco de México, S.A., it was endeavoured to prefer production investments and to avoid the financing of business that might contribute to emphasise an inflation process. The bank's portfolio is formed by: \$67,492,000.00 production credits and \$55,350,000.00 others, totalling \$122,842,000.00.

RESERVES STRENGTHENED

The bank efficiently intervened, with satisfactory results, in the financing of imports and exports of prime materials, easily marketable, and also in the sale to the public, within the country, of industrial mortgage bonds, issued by first-class industrial enterprises. The activity of the security and trust departments has been specially important, having constantly increased the number of clients using the services and counsel, the safekeeping of securities and the technical co-operation in trust transactions.

The bank's capital and reserves were considerably strengthened during the last fiscal year; the former increased \$3 million, that is, the present paid up capital is of \$18 million; and the latter \$750,000.00, totalling \$6,705,414.86.

The report also states that, while the profit of \$2,673,928.66 during the last fiscal year was smaller than in the previous one, it was due mainly to the policy of not extending in investments of the bank and to the increase of sundry expenses, specially salaries.

E. K. COLE. LIMITED

NEW OVERALL TURNOVER RECORD

MR E. K. COLE ON ONEROUS TAXATION

The annual general meeting of E. K. Cole, Limited, was held on July 28th at the Queen's Hotel, Westcliff-on-Sea.

Mr E. K. Cole, chairman and managing director, in the course of his speech, said:

I think it will be agreed the accounts disclose that we have had another satisfactory year.

The consolidated figures of the company and its subsidiaries show that the trading profit for the 12 months amounts to £624,224 and the net profit, after providing for all expenses, including depreciation, but before deducting taxation, is £534,802. Compared with the previous 12 months this represents an increase of £71,587. I am pleased to be able to state once more that we achieved a new record in turnover.

Radio Division. Trading conditions in the industry during the year were good and we were able to take advantage of the opportunity afforded thereby. Once again I would like to thank our dealers for their loyal support and ready co-operation and I am sure that the year's activity has further strengthened our relations with them. The combined efforts of our sales and publicity departments, backed by commendable production and engineering achievements, resulted in a new record in turnover for the division.

Electronics Division. During the year this division continued to expand and the production of radar, communications, and nucleonic equipment for Government services and commercial use increased.

Trading conditions in the plastics industry proved to be difficult during 1952, but an improvement occurred during the first three months of 1953, and is still maintained.

Heating Division. The restrictions and high rate of purchase tax imposed on the products of this division continued during the year under review. Fortunately, a slight easing of the position has recently taken place, and this, together with the fact that we are launching redesigned space heaters, will, we anticipate, lead to an increase in turnover and a more favourable trading result.

Export. I am pleased to report that we have, once again, achieved a new record turnover with overseas countries. We shall spare no effort to maintain and expand the position already achieved by pursuing a flexible policy designed to meet the conditions of each individual territory.

TAXATION

Your company is, like many others, suffering from the effects of the onerous burden placed upon industry by the excessive rates of taxation now levied. It needs no words of mine to bring home the seriousness of the position when out of the trading profit of £624,224, before charging depreciation and loan interest, £400,600 has to be set aside to meet the taxation liability which includes the provision for a full year's Excess Profits Levy of £87,000. It is the constant worry of all industrial concerns in the country to-day to find the necessary finance for the replacement of capital assets, and unless this situation is eased, the future outlook will be grim indeed. It cannot be emphasised too often that unless industry has the tools for the job we cannot, as a country, hope to maintain our position as a great industrial and trading nation.

The report and accounts were adopted, and the final dividend of 15 per cent, less income tax, on the ordinary stock, making 25 per cent for the year, was approved.

G.R.A. TRUST

MR F. S. GENTLE WANTS EQUITY IN TAXATION

Mr F. S. Gentle, chairman and managing director, presiding at the twenty-fifth annual meeting, reported a reduction in profits mainly due to the 10 per cent Pool Betting Duty levied on greyhound totalisators only.

There was no tax on betting on horse racing or with "off the course" bookmakers.

Taxes last year totalled £1,830,000 and left nothing for ordinary stockholders, the recommended 10 per cent dividend coming wholly out of profits of previous years.

Settlement of taxation and rating arrears had liberated provisions from previous years totalling £732,000, of which £178,000 had been applied in writing down the book value of trade investments and the Group's current assets now exceeded current liabilities by £1,183,000.

Special resolutions for the repayment of the £200,000 7 per cent Cumulative First Preference Stock were adopted. This would benefit the 8 per cent Cumulative Second Preference and Ordinary Stockholders and would still leave a very strong liquid position.

The company had led in building up the cleanest, squarest form of betting sport in the world and would continue in the lead.

Television, with "free admission" and an unlimited attendance not subject to Entertainment Duty, was a tremendous competitor, but the inequity of the taxation discrimination against greyhound racecourses was becoming more widely recognised and with fair treatment greyhound racing would hold its own. All that Mr Gentle asked for was equity and common justice for greyhound racing.

W. & J. GLOSSOP, LIMITED

OUTPUT FULLY MAINTAINED

The eighteenth annual general meeting of W. & J. Glossop, Limited, was held on July 28th in London.

Mr Henry Stephenson, the chairman, in the course of his speech, said:

The net profit for the year, after providing for directors' salaries, contributions to pensions fund and ample depreciation, is £60,387, as compared with last year's figure of £39,402.

It is recommended that a final dividend of 15 per cent be paid on the ordinary shares, making a total of 25 per cent for the year, and a final dividend of 15 per cent be paid on the employees' shares, making a total of 20 per cent for the year.

Our subsidiary company has again shown a trading loss for the year, which is to some extent unavoidable. We are, however, steadily progressing with the development and mechanisation of this business and believe that in due course it will produce its full quota of profit.

During the year, we have acquired the lease of a new site at Exeter, and propose to extend our depot and facilities at this centre of our operations in that area. We have also purchased the freehold of a site at Birmingham, and are extending our activities in that area.

The overall position is that in face of difficulties and highly competitive conditions, we fully maintain our output and keep ourselves in readiness for expansion when the opportunity presents itself.

The report was adopted.

SIMMS MOTOR UNITS

MR J. AYRES JOINS BOARD

The annual general meeting of Simms Motor Units Limited, was held on July 23, 1953, at the registered office, Mr T. Thornycroft (chairman) presiding.

The following are extracts from his speech:

The profit and loss account shows an increase in net profit before taxation of £204,582 from £258,876 to £463,458. These results have made it possible for the directors to recommend a dividend on the ordinary shares of 30 per cent, and as a start to bring the authorised capital of the company nearer to the capital actually employed in the business due to profits having been ploughed back during the past years; a one in five free share bonus issue to ordinary shareholders is proposed.

A few months ago there developed around the board room table a difference of opinion. Certain decisions were taken that destroyed the hitherto happy and co-operative understanding among our directors; the solution was found by terminating Mr Scott's appointment, and his resignation from the board was accepted.

We have just completed an agreement with the American Bosch Corporation of Springfield, Mass., for the complete interchange of engineering knowledge, production technique and the use of patents relating to all types of fuel injection.

Mr T. Thornycroft did not seek re-election and retired from the board.

Mr J. Ayres, who was recently appointed general manager, was elected to the board.

Mr G. E. Liardet, managing director, is the new chairman.

TRUMAN HANBURY BUXTON & COMPANY

TOTAL SALES MAINTAINED

The sixty-fifth annual ordinary general meeting of Truman Hanbury Buxton & Company, Limited, was held on July 30th in London.

Mr G. Dent (the chairman), in the course of his speech, said: It is satisfactory to report that our total sales of bulk and bottled beer for the year to March 31, 1953, continued at practically the same level as the previous year. A small decrease in the bulk trade in London was more than compensated for by an increase in the sales of bottled beer and the sale of Burton beer. London sales in bottle, as was to be expected, continued to rise, but not at quite the same marked rate of increase as in recent years. The free trade, however, showed a satisfactory increase.

Trading profit for the year shows a decline on last year's figure, in spite of the maintenance of our barrellage, although it still exceeds the 1951 figure by £74,000.

The net profit of Truman's, after providing for taxation, amounts to £239,708, and after bringing in the amount of £50,000 from tax reserve, and adding the carry forward, there is an amount available of £609,070, as against £617,411 in 1952. It is proposed to pay a final dividend of 8½ per cent on the ordinary stock, making, with the interim dividend already paid, the equivalent of 11½ per cent on the ordinary capital for the year.

As regards the future, the indications are that the current year should show an improvement in profit rates owing to the lower cost of materials.

The report and accounts were adopted.



Qantas air networks link many of the world's major centres of trade and travel. There are over 60,000 miles of Qantas routes linking 21 countries on four continents with regular first-class services. The *Kangaroo* service (in parallel with B.O.A.C.) from London to Sydney provides alternative routes across Europe, the Mediterranean and India. Only by Qantas can you fly the direct *Wallaby* route—Johannesburg to Sydney—and other exclusive services from Sydney to Hong Kong, Manila, Tokyo, New Guinea, Pacific Islands and (with TEAL) to New Zealand. All the way on Qantas routes you enjoy impeccable service and warm Australian hospitality. Over 32 years' flying experience! Consult your travel agent.



QANTAS AUSTRALIA'S OVERSEAS AIRLINE

Qantas Empire Airways Ltd. in association with British Overseas Airways Corporation and Tasman Empire Airways Ltd

Passenger Enquiries: 69 Piccadilly W1 • Mayfair 9200

Scope in CANADA

British enterprise is particularly welcome to share in Canadian prosperity. For information concerning trading conditions, marketing opportunities, import-export requirements, etc., consult the oldest bank in Canada.



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)



Bankers for INTERNATIONAL TRADE

Whatever your banking needs in the field of international trade, the facilities of the world's largest bank are at your disposal. Bank of America offers complete international banking service... letters of credit, collections, remittances, foreign exchange, even Travelers Cheques.

So for your international banking needs, write or call the office of Bank of America nearest you.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

538 branches in 330 California Communities

Overseas Branches

LONDON • GUAM • TOKYO • KOBE • YOKOHAMA • OSAKA • MANILA • BANGKOK

Representatives in Paris, Zurich, Milan, Mexico City. Correspondents throughout the world.

Bank of America (International Service) 40 Wall St., New York, N.Y.

(A wholly owned subsidiary)

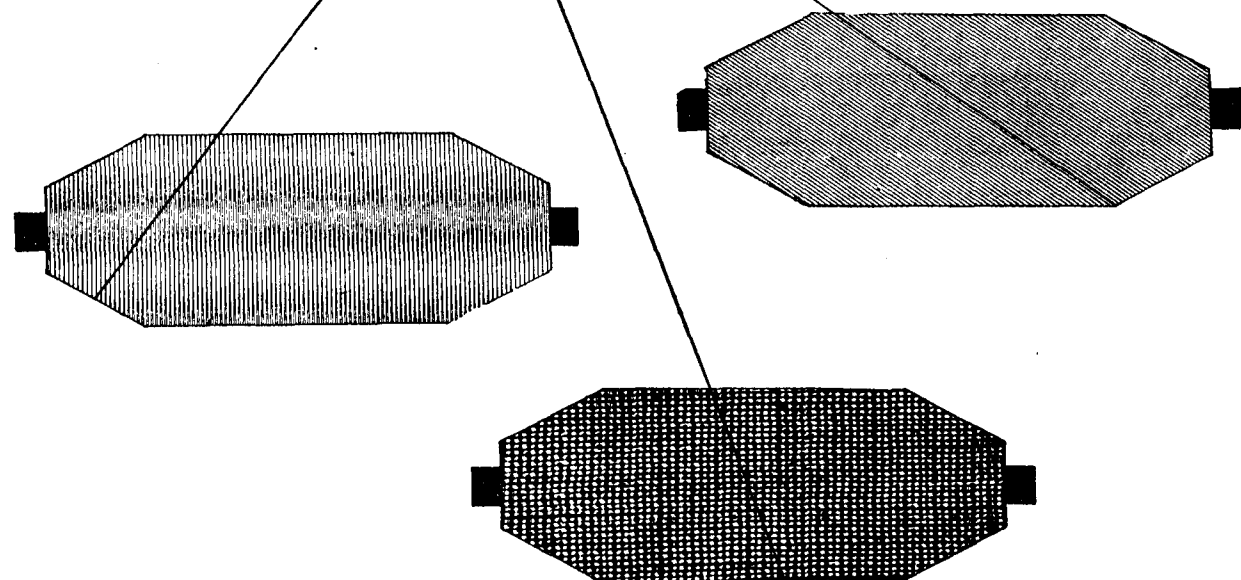
Overseas Branch DUESSELDORF

London Branches

12 Nicholas Lane,
London, E.C.4.

29 Davies Street

For textiles in the making...



The raw materials of textiles may be natural or synthetic, but whatever their source, they all undergo a long series of improving processes in transition to the finished article. Very widely used for such processing is Lensitol, a solvent scour, and Teepol, one of the range of outstanding detergents and specialised wetting agents developed by Shell. Teepol has remark-

able wetting and degreasing powers and can be used at every stage in the wet processing of all types of yarns and fabrics. The wide application of Teepol throughout the textile industry is but one example of the way Shell Chemical products—many of them largely unknown to the general public—play an important part in the production of better quality goods for all to enjoy.

Shell Chemicals



SHELL CHEMICALS LIMITED, NORMAN HOUSE, 105-109 STRAND, LONDON, W.C.2
(DISTRIBUTORS)

The Economist

FOUNDED 1843

AUGUST 8, 1953

ONE SHILLING

Second Session	363
The Voice of Molotov	365
Diplomacy's Left Hand	366
Food at the Bar	368

NOTES OF THE WEEK

Conscription and Commitments; No Overhaul for the Civil Service; Lessons from Vienna; De Gasperi's Fall; Nigerians in Conference; Kenya's Future; Morning Calm in Korea; Libya and Britain; Storm Signals in Turkish Politics; The Farce of Food Rationing; Subsistence Through Assistance; How Malaya Pays its Way; The Supreme Soviet Meets; Russian Defence in the Dark; Nursing in Mental Hospitals; Research at the Bedside. 369

LETTERS TO THE EDITOR	379
---------------------------------	-----

BOOKS AND PUBLICATIONS	383
----------------------------------	-----

AMERICAN SURVEY

Congress Marks Time 386
Republicans without Taft; Reprieve for Foreign Aid; Playing Politics with the Debt; Give and Take on Trade.

THE WORLD OVERSEAS

Turn of the Tide in Pakistan . . . 391
Problems for Mr Holland; Is all Quiet in Warsaw?; Mr Nehru Goes to Karachi; Who Rebuilds Korea?; Synagogue and State.

THE BUSINESS WORLD

Freedom Returns to the Metals . . . 399
Too Many Tankers? 401

BUSINESS NOTES

The First Steel Sale; £80 Million for Gas; The Rising Reserves; Four Month Bills Again; Loosening Cash Credits; The Supersonic Gyron; Revolving Loan for Industry; Atomic Trials at Woomera; Air Traffic in 1952-53; Staggered Holiday Spending; Bidding for Bodies; How Private are Cotton Spinners?; Debate About Standards; Dividends from Germany; Germany's Capacity to Pay; Who Has Liquid Assets?; Shorter Notes. 403

COMPANY NOTES AND SECURITY

PRICES 414
STATISTICS 417

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Second Session

AMID all the speculation about the possibility of an autumn election, few Conservatives have been heard to oppose the idea on the grounds that their party might lose. That is the measure of the change in the political situation over the past twelve months. There is some suggestion that delay might ensure the party a more secure victory, for it is doubtful whether the Conservatives have yet made much impression on the mass following of the Labour Party. But the doubts and uncertainties which beset Ministers twelve months ago have been dispelled by a mixture of good management, good luck and weak opposition.

The parliamentary session of 1952-3 does not end technically until the last week of October, but the few days left over for the autumn postscript will not provide much of significance, and the second session of this Parliament can be regarded for practical purposes as having ended last week. The Government may regard it as a moment for self-congratulation, if only for their success in learning from the mistakes of their first session. It will be recalled that, having won the election of October, 1951, the Government produced a King's Speech proposing three major Bills—Transport, Steel and Monopolies. By the end of the following July not one of these measures had even received a second reading. A Transport Bill had been produced, but only to be withdrawn hurriedly in the face of criticism. The idea of a Monopolies Bill was sunk without trace (and, so far as major proposals are concerned, has remained so ever since). The final humiliation of that first session came when the Government, unable even to handle its attenuated programme, was forced to bring into action the complex machinery of the guillotine for use on the little Licensed Premises in New Towns Bill.

The second session went better from the start, partly because of the encouragement given in its early weeks by the Wycombe by-election, which was taken as showing that any popularity lost by the Government in its first twelve months had been recovered, but mainly because Ministers approached their parliamentary task in more realistic mood than the year before. The Queen's Speech was not so ambitious, while the Government was ready to launch the two denationalisation Bills at once. Over the months there was some faltering, owing largely to muddled tactics over the Transport Bill, but the Government has on the whole managed, in spite of interruptions for royal occasions, to carry through its programme with ease.

The legislative programme, however, is neither an end in itself, nor is it the main criterion of a Government's success. Acts of administration make much more impact nowadays on the public mind than Acts of Parliament; and both tend to be overshadowed by acts of God—or at least by external circumstances beyond a Cabinet's conscious control. Certainly, the rise in Conservative stock in the last nine months has not been primarily due to anything the Government has done in the same period. In the main, it has been the result of their good fortune

and the mistakes of their opponents; and in so far as their own actions have had anything to do with the case, it has been the delayed effect of the steps they took in their first year that has affected their standing in the country rather than any new lines that have been struck out in the second.

For once, the stars in their courses have seemed to be on the side of a British Government. The largest piece of good fortune has been the favourable movement of the terms of trade which began just before the election of 1951, and has continued ever since at a pace fast enough to have a perceptible effect on the balance of payments without being so fast as to create great distress in the primary producing countries of the world and thus reflect back on British exports. The political climate of the outside world has also changed—apparently for the better—both before and especially since Stalin's death, and whatever doubts may be felt about the Prime Minister's great speech of May 11th as a contribution to world diplomacy, it certainly worked in the sphere of domestic politics to capture for the Conservatives all the credit that could be derived from the lightening (apparent or real, as the sequel will show) of a cloud that oppresses every citizen. The Coronation, too, has helped the Government. Scrupulous though Ministers were to avoid any suggestion of turning it to deliberate party advantage, there can be no doubt that the atmosphere of mingled loyalty, optimism and confidence that the Coronation inspired would be of some help to whatever party chanced to be in office at the time—but quite particularly to a traditionalist party such as the Tories. A fourth piece of external good fortune—external, that is, to the Conservative party—has been the behaviour of the Opposition. Oppositions always take their colour, inversely, from the Government. Labour was aggressive in the first session of this Parliament because of the general tendency to treat the Government as a transient and embarrassed phantom; and any Opposition would have been more placid in the face of the Government's greater strength this year. But it was a piece of uncovenanted good fortune for the Tories that they were faced with an Opposition quite as demoralised as Labour has been.

★

Against all these pieces of good luck, the only serious piece of ill fortune has been the crop of illnesses, culminating in the need for Sir Winston Churchill to take a complete rest. Even this has hardly risen above the level of an inconvenience. Indeed, it may even in the long run have done the Conservatives a good turn, since it has provided an opportunity of showing how strong an alternative government can be found within the party even when the leader and the deputy leader are away. Mr Butler, in particular, has borne his unprecedented burden in a way that has considerably enhanced his stature. One has only to think of what would have happened to the Labour Government in 1947 if both

Mr Attlee and Mr Bevin had been away at once to realise how much greater is the fund of administrative competence among the Conservatives.

Whether there is much more than administrative competence is the question that remains. The significant, and possibly the dangerous, thing about this second session has been that the Tories have done so well in terms of public esteem with so little effort at policy-making on their part. It was in their first year that they showed courage in adopting supposedly unpopular policies, such as the cuts in the food subsidies and the return to an orthodox monetary policy. From the start, these policies were not nearly as unpopular as had been foretold; but equally, perhaps, they did the Tories little good on balance in that first year. It is in this second year that they have been bearing their fruits, and that the Tories have been reaping the electoral harvest.

Why, then, have they not gone further? The country has had a clear demonstration of the truth of the central doctrine of Tory economic policy—that in economic matters freedom works better than control and is more popular. There is no doubt whatever that, in the housewife's mind, slightly higher prices are well worth paying if they are the means to freedom of choice and to the abolition of rationing. The demonstration has contributed to the *malaise* within the Labour Party, for it has reinforced the doubts of the right wing about the glib enthusiasm for controls still current on the Left. But why have the Conservatives themselves taken so little notice of their own success? Why have they been so much more cautious in the pursuit of "realistic" policies in their second year, when their effectiveness and popularity were a matter of demonstration, than in their first, when public opinion was still so suspicious? Why do they not do to housing what they have already done to food—that is, end the shortage by a realistic approach to prices? In default of any other explanation, the suspicion inevitably arises that they have not been acting on policy at all, and that their earlier strokes were accidents which have turned out well, but which they do not know how to repeat.

None of the elements that have contributed to the Government's popularity can therefore be regarded as stable. External events, either political or economic, might turn traitor at any moment. The Labour Party may succeed in re-discovering some leadership somewhere in its ranks; and in any case it will perk up, as all Oppositions do, if Ministers get into difficulties. And the impetus originally provided by the bold measures of the first few months will be exhausted within a few months unless it is soon renewed. What can be done by Bank Rate and denationalisation has now been done. If the Tories want to keep way on their ship, they will have to have some positive and forceful policies for 1954. The materials are at hand; so are the men who understand them. If (with or without an election) the two can be brought together, then this summer may not prove to be the high water mark of the Tory revival.

The Voice of Molotov

THE Soviet Note about a conference on Germany published on Wednesday is a useful reminder that Molotov is still at his desk in the Kremlin. If it were not for its moderate and reasonable tone, it might be mistaken for one of the missives that were exchanged before the Palais Rose talks of 1951. Otherwise there is no trace of the Malenkov "new line" that had been so eagerly awaited. The stubborn attitude taken up is familiar, the development of the argument is full of echoes of the past, and on this evidence the four powers are no nearer agreement on Germany than they were in Stalin's day.

For those who feared that the Allied note, with its whittling down of the Prime Minister's initiative, had ruined an opportunity, the Soviet reply brings some reassurance. For it agrees to a four-power meeting, even though it refuses to exclude the problems of Asia and the voice of China, and takes a view of the agenda exactly opposed to that expressed in the Allied notes. (It sounds like the voice of Her Majesty's Opposition.) The United States, British and French governments suggested precise and limited negotiation on ways of unifying Germany, the piecemeal approach of the good diplomatist. The Soviet Government suggests a wider and more general approach, with a vague agenda and references to such infinitely controversial matters as "military bases on the territories of alien countries." In fact Moscow has cleverly taken up Sir Winston Churchill's thesis of wide-ranging and high-level discussion without making any concession to his wish to meet Malenkov or someone other than the familiar Molotov.

★

There is a quite different sense in which it can be said that the Soviet Note might have been worse. Those who think that Sir Winston was wrong on May 11th, who doubt whether the Russians want German unity on any terms acceptable to the West (including the West Germans) and who are not satisfied that there is yet any substantial change in Russian foreign policy—to such people the Note will bring special relief. Nothing in it will embarrass Dr Adenauer in his election campaign; no new effort is made to divide the allies; no doors are closed, but none are opened on new and dark passages of negotiation where there might be fresh delays and confusion. Above all, the Russians have not done what they might have done—that is to say, offered to discuss free elections in Germany without any intention of letting them be held. Such an offer, made at this moment, would have caused the friends of the West in Germany acute embarrassment. They have, perhaps, the workers of East Germany to thank for this omission. Free elections in Communist Germany after the events of June are, for the time being, unthinkable.

Instead the Russians have said that they will come to a meeting of Foreign Ministers to discuss an agenda of

two vaguely phrased items: measures to decrease tension in international relations, and "the German problem, including the problem of the reestablishment of German unity and the conclusion of the peace treaty." That is tantamount to saying that they wish above all to discuss the security of the Soviet Union, as Sir Winston hinted on May 11th that they would; and when they refer to the "basic problems of Germany" they have in mind the question of what shall be the frontiers of a united Germany and who will guarantee their permanence. They do not care to say so in plain words, for this is not a good moment to let it be thought that part of the Russian price for German unity is acceptance of the Oder-Neisse Line. In fact, however, that is almost certainly the price, and to the Russians the allied insistence on such aspects of German affairs as free elections is an evasion of the basic question—how the Soviet Union is to protect itself against a resurgent Germany. This may possibly open an avenue to real negotiation once it is known who can speak for Western Germany.

It is not clear how the various arguments of the Soviet Note are linked to one another. They do not sound like hard and fast conditions. Is it seriously intended this time that China should attend the more general part of these talks? If so, Molotov must not expect to see Mr Dulles there. Does the Kremlin want to do a deal on bases? That is to say, if the Americans and British removed their bases from the territories of their allies, would the Russians remove theirs along the Baltic, the Black Sea and on the communications of Eastern Europe? It is an interesting possibility. But on such general matters the allies would do best to say again that they see no point in talking about each and every cause of international tension until they have tested the possibility of negotiation and agreement about the main one, Germany. They cannot contemplate for a moment, Sir Winston Churchill least of all, another Yalta in which the Great Powers attempt global bargaining—what the Soviet Note calls "a free discussion of the ripe international problems." Nothing would divide the allies more quickly than any such conference; and it must remain the prime object of the Russian Government, however sincerely it may seek a detente, to divide the United States from Britain and Europe.

The position therefore seems to be this: there can certainly be a conference of some sort, though perhaps only after a lot of wrangling over the agenda. But there is no encouragement for the belief that it would produce results of any substance. We are, then, back to where we were before the Prime Minister spoke on May 11th. There is, in these circumstances, still something to be said for trying to get a conference, and something to be said against it. But the decision has again become one of tactics, not of high strategy.

Diplomacy's Left Hand

THE Berlin fight for food parcels is the most fantastic and revealing thing that has happened in seven years of cold war. For over ten days stocks of food held in the western sectors of the city have been made available free to all hungry Germans under Communist rule who care to come and fetch it. Despite police action, denunciations on the wireless, reports of spies and restrictions on travel, they have come in their hundreds of thousands. Every East German traveller to and from the city, whether he carries a parcel or not, has become a witness against the Ulbricht regime, registering his protest against hunger and tyranny. And as West Berlin's precious reserves of food—held against another possible blockade—move behind the iron curtain, \$15 million worth of food from America, released and paid for by order of the President, is being unloaded in North German ports. Indeed, the latest move in this game is an offer from Dr. Conant to release funds in American banks standing to the credit of the East German Government so that it can buy American food for its suffering population.

All this looks, so far, like the perfect propaganda operation, the psychological warrior's dream: a simple idea, launched at the right moment with money and organisation behind it, has set hundreds of thousands of people acting publicly against their government. Yet neither the United States Government nor the American authorities in Germany and Berlin seem anxious to claim credit for it. Instead, they insist that this is a matter between the free Berliners and the Germans behind the iron curtain, a gesture of humanity and sympathy from the former, who decided very wisely to do nothing while the latter demonstrated in the streets on June 17th. The British and French authorities in Berlin appear to have opposed the idea of distributing food, and even some American officials feared that this political exploitation of hunger and discontent might prove a boomerang. So far it has had no grave consequences.

★

This Berlin incident comes as the climax of several momentous months during which the press and radio of Moscow and other Communist capitals have been full of denunciations of cloak and dagger work by Western agents. They have denounced saboteurs, political agents, incitement by wireless and leaflet, the passing of money to agitators among the workers—even the distribution of arms. Strange though it may seem, the men who kept the Greek frontiers ablaze and organised the blockade of Yugoslavia appear terrified of what the West has done against them. Even in Stalin's last months there were clear indications that the men of the Kremlin took very seriously this counter-attack in the

cold war, and since the fall of Beria the references to it have become increasingly hysterical.

It is against this tense and complex background that questions about these events in Berlin have to be asked. Was the distribution of food a carefully organised propaganda operation, with all the risks and advantages calculated ahead? Was it done with the full approval of the three Western governments? To what extent has Herr Reuter, Berlin's mayor, acted in this matter as a free agent and to what extent has he been promised full allied support? Is it the case that German organisations in West Berlin carry on subversive activities in Eastern Germany and East Berlin with the full knowledge and approval of the Western allies? If, for any reason, this food operation had gone wrong and had produced a diplomatic crisis in Berlin, these are the questions that would have been asked. Although it has so far gone right, they still need to be asked; for they go to the root of a vital question: What should be the role in Western policy towards Russia of political and economic pressure on the Communist empire?

Let us assume that the food distribution was a thoroughly prepared operation and not just a bright idea that happened to work; as such it had much to commend it. It would produce observable results, its effects could to some extent be controlled, and it could be stopped if it turned out to be dangerous. It met a genuine human need, it exposed the shortcomings of Communist planning, and it confronted the East German authorities with the impossible task of preventing hungry people from getting food they needed. By objecting to it the Russians would appear either cruel or foolish, or both. If the organisers were asked what was their ultimate purpose they would doubtless reply: to weaken still further the Communist hold in Eastern Germany and so bring nearer the day of unity and freedom for all Germany. Here, then, are some criteria of successful psychological warfare established in the field in Berlin. How far are they being followed elsewhere? The Voice of America, and the BBC (under the loose policy direction of the US and British Governments), Radio Free Europe and RIAS in Berlin (under even looser control), overt and covert propaganda stations ranging from Belgrade to Madrid, boom hour after hour into the Communist empire. Leaflets are floated into Czechoslovakia by balloon; counterfeit newspapers warn people against currency reform; pilots are rewarded with thousands of dollars and American citizenship for delivering Russian jet-aircraft. Clearly, all this activity does not and cannot conform to these criteria. The results are not strictly observable, the effects cannot always be controlled, and it is by no means clear whose job it is to stop or reduce these activities should allied policy require it. (Who, for instance, decided what RIAS Radio in Berlin should say when the

workers in the eastern sector began to demonstrate on June 17th?) It appears that many things are being said and done in the name of allied governments over which they have little control.

★

There is a further consideration of great political importance. If it is the intention of Britain, France and the United States to deal as a team with the Soviet Government, then they should be in a position to give a joint answer to any Soviet inquiries about cold war activities. It seems most unlikely that they could do so. Indeed, it seems doubtful whether London, Paris and Washington have anything but the most general agreement about the objectives of their policy in Eastern Europe. What precisely is their hope and purpose? If it is that the Russians will be persuaded eventually to withdraw their forces from Europe, then it would seem unwise to increase Moscow's fear that Communist regimes would not survive the departure of the Red Army. If it is that the Russians and their collaborators should be made now to feel that Eastern Europe is too hot to hold them, then the western powers must know precisely what they will do if—say—there is a successful rising against the Communist government in Prague. If they intend merely to look on in helpless surprise, as they did six weeks ago in Berlin, then it would be wiser and kinder to stop encouraging the spirit of resistance in Czechoslovakia. If, on the other hand, their policy has no long-term objective, if the purpose is simply to cause such political and economic strains in the Russian empire as will frustrate Moscow's planning and cut down the industrial and agricultural production of the satellite economies—well and good. The plan, if it is a plan, seems to be working, and it has the merit of putting the Communist Party everywhere in the embarrassing position of opposing instead of backing the demands of the workers.

There is no evidence that the purposes of psychological warfare have ever been worked out and agreed in such deliberate fashion. No doubt the whole western effort, seen from Moscow, looks systematic, powerful and sinister, for no one fears conspiracy more than a conspirator. No doubt in Eastern Europe people still feel, after seven years of oppression, that liberation must come by one means or another, and that their friends in the west know just how to bring it about. But in fact—apart from the carefully planned restrictions on west-east trade—it looks as if conduct of the cold war from this side of the iron curtain is still a thing of fits and starts, of bright ideas imperfectly directed, of organisations of exiles using large private funds to do more or less what they like.

There can, of course, be too much planning and too much red tape in these matters. But it is most important that the Americans and their allies should guard against two risks. The first is that their propaganda might produce behind the iron curtain an unexpected development that they dare not exploit because they

have not calculated the consequences of doing so. The second is that their activity may produce effects that run directly contrary to the purposes of their diplomacy. If, for example, they want the Russians to concede as quickly as possible free elections in Eastern Germany, should they or should they not encourage resistance to the Communist government there? It is not an easy point to decide but it should be clearly understood where the responsibility for deciding it lies. The West has, in its ability to switch the heat on and off the Communist governments of Eastern Europe, a most valuable weapon that the Russians clearly fear. But it cannot be properly used in negotiation unless the Americans, British and French show that they have the whole apparatus of subversion under strict and joint control. Even the Cominform got into difficulties when Stalin gave Zhdanov his head. The counter-Cominform will run into greater difficulties if the right hand of diplomacy not know what its left hand is doing.

Peace or Appeasement?

We can perfectly understand the ideas and arguments of those who hold that we ought to have no continental alliances whatever; that we should abstain from all interference either in the internal or the international affairs of Europe; that when we see . . . powerful states bullying and partitioning their weaker neighbours, we should . . . pursue our course of sublime and selfish isolation, regardless of the fate of others. But what we cannot understand is, that politicians who do not hold this hideous and shallow doctrine in all its nakedness, and who are not prepared to carry it out to all its consequences, should not at once perceive that if there ever was a case in which we could not honourably refuse to interpose—if there ever was an ally whom we were bound to support—if there ever were engagements which on every principle . . . we must adhere to—such have now presented themselves in this Eastern dispute. . . . If England flinches now, she may bid adieu to peace for ever. She has announced her conviction that Turkey is right, and her resolution to support her; and if she now backs out of the controversy, she proclaims to all the world . . . either that she will not, or dare not, or cannot, maintain what she deems right, or carry out what she has resolved to do. This is what Russia is now anticipating, and what has emboldened her to a course which a few years ago she would scarcely have ventured to take. She is deliberately calculating on our weakness, our love of peace, our hatred of expenditure; and, if by receding now before her, we show that her calculation is correct, the same calculation will be made, the same game will be played, and the same result expected, whenever any one of the great Powers finds it desirable to bully an ally or to trample on an interest of England. We shall not avoid war by such a course of yielding: we shall invite it—entail it—necessitate it. The only difference will be that, whereas now we have a good cause, a high prestige, an honourable character, a formidable name—on future occasions, if we yield now, we shall enter on our inevitable and self-incurred struggles with damaged reputation, with diminished strength, and with the odds against us fearfully increased.

The Economist

August 6, 1853

Food at the Bar

THERE are still some trades in which a man can start with a few hundred pounds saved and build up a highly successful business. One is the snack bar trade, which in recent years has been a fruitful source of quick returns. Like the rest of the catering trade, it benefited from the meagre domestic rations that drove people to "eat out." Like the rest of the trade, too, it benefited from the inflationary boom and reached its peak around 1947. Like the rest of trade it has lost a substantial part of its custom since the beginning of 1951. But snack bars have not suffered from the recession as much as restaurants, which is not surprising since they provide a more utilitarian form of eating. The snack bars do not seem, however, to have captured any of the restaurant trade's custom. The customer, they find, is very conservative about the kind of service he wants. If he is used to a restaurant and it gets too expensive for him he goes to a cheaper one. The snack bars' new customers are not converts, but young people who have never developed a devotion to table service.

The 15,000 snack bars in the country include both the Mayfair salon where smart women eat slimming salads and the pull-up where strong men drink strong tea. But all ranks of the trade enjoy a common advantage. They can feed up to ten times as many people in a given time as a restaurant of the same size, and their labour costs are lower. Snack bars, to an even greater degree than restaurants, can employ women almost exclusively, and need pay them only 70 per cent of men's wages. Broadly speaking only those that keep open in the evening employ a man. The girl behind the counter gets, in London, a minimum of 74s. 6d. a week and her midday meal for a 47-hour week. In practice she gets about £5, because she expects some compensation for the tips that she would have got as a waitress. This is a big rise from the 35s. that was paid before the war for an average week of 54 hours. But it still makes for a low wages bill compared with the restaurant.

With labour costs that average perhaps 20 to 22 per cent of gross receipts, compared with some 26 to 28 per cent in restaurants, snack bars are able either to work to a higher percentage net profit or to give the customer better food value for his money. Most of them work to the principle that the food should cost them about 40 per cent of what they charge the customer. Net profit varies; but a typical big firm works to 7 per cent of its turnover.

It is a further advantage of the trade that the capital required to start with need not be large. It can be as little as a quarter's rent in advance, the price of a machine to brew coffee and tea, a large refrigerator, the cutlery and crockery. Experience shows that it helps to go into the business with a large family, preferably Italian. Then there need be no trouble about minimum wages or social insurance or sanitary accommodation

per number of employees. The bar can keep open in the evenings when its competitors, who would pay wages of time-and-a-quarter after 7 o'clock, find it not worth while—except perhaps on Saturdays and Sundays. It can be explained to the Ministry of Labour's inspector that everyone in sight is a partner and therefore exempt from the working of the Catering Wages Act.

If this is promising field for small enterprise it has also attracted large-scale business as well. Big firms in the chain café business are drawing very near to snack bar territory with the cafeterias they have installed in their former tea shops. The difference is that there are tables, and "main" as opposed to only "light" meals can be bought. But as many snack bars have a table or two as well as their shelves and high stools, the dividing line between cafeterias and snack bars is blurred. It has long been blurred between snack bars and milk bars, which form the largest form of undertaking in the trade. There are five big firms—three in London and two in the provinces—which between them operate nearly 100 out of the thousand or so milk bars in the country. A chain of 20 establishments may not sound a large business, but the annual turnover may well exceed £250,000.

★

Milk bars were unknown in this country until 1935. Their rapid development before the war was indirectly helped by the Milk Marketing Board, which made a payment to them, proportionate to their consumption of milk, for the purpose of advertising their milk shakes and milk soups. When the war came and milk was short they had to find other things to sell, and it was then that they started to provide snack meals. Since the war milk drinks have not regained their prewar popularity—partly perhaps because people drink more milk at home. The price no longer favours the milk bars. They used to get a discount from the wholesaler in proportion to the amount of milk they bought; for a flourishing chain of milk bars, this might be as much as 10 per cent. Now they always have to pay the full wholesale price. A milk shake that cost 4d. in 1938 now sells at 9d., at which price the retailer's profit margin and the customer's demand are both lower than they were before the war. The demand could no doubt be stimulated by reviving the national publicity for milk sales—and that may well happen now that there is again a surplus of milk.

Meanwhile proprietors have wasted no time crying over unwanted milk. They do better out of the cups of tea that the customer buys instead. Indeed, at some 200 cups per lb, it would be best if all their sales were cups of tea. They do not work to the same profit margin on all that they sell. The margin on tea can be set against other things about which the customer has a more than

usually tough price resistance; so can the margin on coffee. In the same way sandwich prices rarely reflect their relative costs. The more expensive varieties, the chicken and smoked salmon, are often better value than the lettuce or tomato sandwich. The customer likes a varied menu, but he will rarely pay more than about 2s. for a sandwich whatever it is made of.

There have been other changes in public taste. Customers now show a preference for well-known brands of fruit squash or ice-cream or whatever it might be. Ice-cream was a firm favourite after the war, but its popularity has fallen markedly—partly because sweets have become plentiful. This may be inconvenient for the milk bar company that makes its own ice-cream—and, indeed, for everyone, for ice-cream, unless sold ready wrapped, is one of the most profitable lines. But such adjustments have continually to be made. Cheaper ham, at least, has helped the snack bar trade at every level, for the ham sandwich is still by far the most popular.

On nutritional grounds it is clearly a pity that the public should give up milk shakes and resort to cups of tea. Is it also a danger to health that more people should eat the kind of food that is sold over the snack bar? This includes just the foods that most readily carry bacteria; milk itself, cooked meat, salads, synthetic cream and ice-cream. None of the recent outbreaks of food poisoning has been attributed to a snack bar; the majority are traced to meals in schools

or industrial canteens. But a snack bar that is selling salmonella sandwiches is not easily identified. As the victims are scattered and unknown to each other the cause of the infection does not leap to the eye as it does when an entire school takes to its bed after dinner. Not that there is any evidence that snack bars cause more food poisoning than restaurants. They do cause more anxiety, because what the eye sees the heart has good reason to grieve over. It too often happens that under the customer's eyes sandwiches are pressed together with a suspect palm, the counter is wiped with a dirty cloth, the food is spread out for the flies. But dramatic newspaper stories about mass poisonings are teaching people to be wary of the dingy haunt with the dirty net curtains and the curling sandwiches. They are learning to prefer the bar where the food is protected by glass cases and transparent wrapping.

As a nation that is being driven to the bar by high wages, the British ought to set about making snack food a speciality. At present, at all but the best snack bars, there is too much saffron and too little imagination. But the "popular" clientèle likes its food highly coloured; and except in a few (usually expensive) "butteries", there has been little attempt to reach the more discriminating customer. Even without that attempt, however, the trade can expect a widening market—not, it is true, a return to the palmy days of the empty domestic larder, but certainly to a steadily increasing custom among young people.

Notes of the Week

Conscription and Commitments

IT is plain that when Parliament meets again in the autumn there will be a row over the length of national service. So much was clear from the Labour speeches that followed Mr Crookshank's announcement last week of the Government's decision to maintain the two-year period after the end of this year. The 1948 National Service Act expires on January 1st next, but it can be extended by order-in-council. The Government proposes to extend it, apparently for another five years. The order-in-council will have to be introduced early in the next session, but some time next year the Government will also bring in a new national service Bill designed to extend the reserve liabilities of national servicemen. At present their obligations come to an end when they complete their period of service in the

Territorial Army. The new Bill will arrange for them to be transferred to the "Z" and "G" reserves; they will then gradually replace the conscripts of the second world war on whom these reserves at present wholly depend.

This is a logical step, which ought not to arouse much criticism. Those Labour MPs, however, who have been pressing for a cut in the national service period see their arguments reinforced by the change in the general international situation. But if the diplomatic climate is milder, it has not yet produced any curtailment of Britain's overseas commitments. If the Korean truce can be made permanent and a settlement can be reached with Egypt, then commitments might be reduced to a degree that would allow the term of national service to be reconsidered. But at the moment the strategic arguments which forced the Labour Government in 1950 to extend the period from eighteen months to two years remain unaltered. Of the Army and Air Force men serving overseas, 42 per cent are national servicemen. If their term of service were to be cut, the turnover in overseas units would be increased to the point

where it would be well-nigh impossible to maintain reasonable fighting efficiency, while a wholly disproportionate number of men would be in the transport pipeline.

Until the overseas commitments can be reduced, the argument about national service is thus somewhat unreal. Even if the situation improves, it is by no means certain that a simple reduction in the present two-year period would be the best course. Mr Head, in the freer days of Opposition and in the less onerous military circumstances before the Korean war, once advocated a radical change, under which the fighting services would be manned wholly by regulars but all young men would be called up for six months basic all-service training. It would be interesting to know if Mr Head revived this theory during the review of the defence structure held last winter. Certainly a change is not precluded by the decision to extend the present system. Whatever period the order-in-council may lay down, the Government can step in at any time; and its critics should at least realise that no Government will retain the unpopular conditions of national service a moment longer than its conscience will allow.

No Overhaul for the Civil Service

MR ATTLEE severely criticised, last week, the forthcoming review by a Royal Commission of pay, hours and conditions in the civil service. He did so on the grounds that it would merely duplicate, and indeed weaken, the Whitley Council machinery now handling these matters. If the commission's terms of reference were so interpreted as to make it merely an umpire in that non-stop Test match in which the civil service unions and associations bowl and the establishment division of the Treasury keeps its wicket as best it can, Mr Attlee's criticism would be well justified; and the mere fact that twenty years, the traditional interval, had passed since the last review would be an inadequate reason for interfering with present procedures. More widely interpreted, however—and Mr Butler's reply suggests that the interpretation will be wide—the terms of reference could cover a revision of the actual rules of the game. This is not a question within the competence of the players, nor can it properly be settled—as Mr Attlee would seem to prefer—merely by Government decision as a matter of policy.

A more serious criticism is that the question both of "the principles which should govern pay" and of possibly desirable changes "within the framework of the existing superannuation scheme" is logically and practically linked with a much wider question which the Royal Commission is not empowered to consider: that of the relations between the civil service and comparable occupations in the outside world, and between its own constituent parts. There is, for example, little movement between the home and the colonial civil services, and almost no interchange between the civil service and local government, the academic world, and business. This is wasteful of manpower and deplorably narrowing to the administrator's experience.

Cohesion and continuity are indeed valuable things, and a certain price may justifiably be paid in order to avoid the temptations of a possibly divided loyalty, and to preserve that disinterested integrity of which British administration

is rightly proud. In view, however, of the enormous changes both in the size and in the role and competence of the modern civil service, it is almost unbelievable that the rules framed to suit earlier conditions are really above all criticism. If it is time for a review of the civil servant's pay, hours and conditions "against the background" as Mr Butler said "of the modern society in which he has to work," it is more than time for a review of his place in that society. Without such a review, any conclusions about the "principles" to which negotiators should work are likely to be unrealistic and empty. The Royal Commission may not be superfluous; but it is, perforce, tackling the job from the wrong end.

Lessons from Vienna

THE new move made by the Soviet government in Austria has valuable lessons for the statesmen and diplomats of the West who are trying to decide what Malenkov and Molotov really mean and how best to treat them. The Soviet government has by-passed the three other occupation powers and has dealt direct with the Austrian government about the future peace treaty. This is the first lesson: that Moscow is trying a new way to divert Austria from the western camp. If, after the elections in Western Germany next month, the Bonn government is presided over by anyone but Dr Adenauer, then it may be presumed there will be moves from the Soviet side to open *tête-à-tête* talks with the Federal Government's representative.

The Note from Moscow to Vienna, followed by similar messages to the western foreign ministers, demands that the Austrians themselves shall decide independently to withdraw support from the abbreviated draft treaty that was put forward for discussion by the three western governments a year ago. It reveals, too, that the Austrian government sent a memorandum to Moscow on its own account last June, in which it approved the Soviet suggestion to continue talks through diplomatic channels. The next government in Federal Germany will certainly also claim the right to enter into direct relations with Moscow.

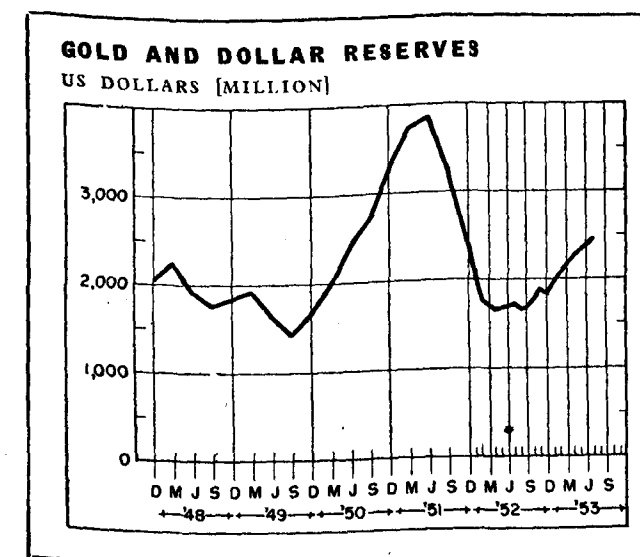
It was originally an American idea to offer for inspection by the Russians a bare skeleton of a treaty, in which their claims to German assets in Austria and many other points had been omitted. Nobody seriously expected that the Russians would accept it as a basis for reopening talks. In fact, they did not even answer the last western Note proposing this course and the shock tactics seemed to have proved worse than useless. But the second lesson of the present Russian move may well be that this bold kind of diplomacy pays better, in dealing with Moscow, than Whitehall's more gentlemanly methods. If the West uses aggressive tactics and makes exaggerated demands instead of offering concessions and stating minimum terms, the men in the Kremlin can save face by getting the western side's excess demands reduced. Then they can, if they really wish to relax tension, safely proceed to offer concessions themselves. They have always had the advantage of being able to offer to stop doing something they should not have done in the first place, as Sir Winston Churchill has pointed out. The West might try the same practice.

De Gasperi's Fall

THE fall of Signor De Gasperi marks the end of an era not only for Italy but for Western Europe. With Mr Bevin, M. Schuman and Dr Adenauer, he was one of the architects of European union, who never allowed anyone to forget that in this aim he saw the best hope of re-establishing Europe's prestige and influence beside those of the giant powers. With his eclipse Dr Adenauer alone is left, and he faces a crucial election in a month's time. Whatever comes of that election it is to be expected that new political forces will emerge as new personalities appear.

When a few weeks have passed the long premiership of Signor De Gasperi may already be looked back to as something of a golden age, in which Italy enjoyed good government and freedom, both at the same time. As his biographer recalls in a book reviewed elsewhere in this issue (p. 385) the task has been arduous. When Signor De Gasperi came to power in 1945 his country, lying in ruins from the war, was still widely regarded abroad as an ex-enemy. Today, although insufficient importance is often attached to the trend of events in Rome, Italy is one of the leading members of the Atlantic Pact. At home, real wages are 20 per cent higher and the production index stands around 150 compared with the nineteen thirties; 110 billion lire a year are being spent on the first comprehensive programme of development ever to be undertaken in the south; land reform has been pushed to the limit of what is politically practicable in the country as a whole; and, by its import policies, the government has begun to succeed in making Italian industry more competitive.

Not for over seven years had anyone other than Signor De Gasperi been asked to form a government in Rome until President Einaudi last Sunday approached the right-of-centre Christian Democrat, Signor Piccioni, a man of 61. He has been in the last four governments and has long been regarded as one of the two or three most likely successors to Signor De Gasperi. The latter's fall, after the narrow but apparent victory of the centre coalition in the June elections, was due primarily to the lack of support from



the left centre. If Signor Piccioni can get some of the Monarchists to give him even passive support from the right by abstaining from voting, he may yet be able to perform the trick of forming a "De Gasperi government without De Gasperi." There is, however, a chance that the former prime minister might become Signor Piccioni's Foreign Minister. Even so, confidence has been severely shaken. Italy can no longer count on a stable government and Signor De Gasperi will not have the power to pursue his previous European policy with the old vigour and clarity.

Nigerians in Conference

THE conference between Nigerian political leaders and the Colonial Office began under the presidency of Mr Lyttelton last week. Although the chasm between the northern and southern point of view seems unbridgeable in terms of the past statements on both sides, it was a major achievement to bring the leaders to the relatively neutral ground of Carlton House Terrace. It may yet be that compromise is attainable through a prolonged "hanging of heads"—as Africans put it—in private conclave. Both northerners and southerners at least agree in wishing Nigeria to remain as a unity, realising the importance for Africa as a whole of bringing into existence an independent state of 31,000,000 Africans. Although the North considers that it holds all the cards in economic matters (a northern spokesman remarked this week that the North could starve the South out at any time) its leaders appreciate that the whole area is interdependent, and that social and economic progress will be slowed down unless it remains so.

The southern leaders, and especially Dr Azikiwe and Mr Awolowo, have taken their stand on early independence—by 1956. Mr Lyttelton had to concede that discussions might consider this date. But the southern leaders may find that they are compelled to trade early independence for their own regions against their political influence in the rich and undeveloped North and "Middle Belt." The North is taking its stand on independence from the South; more particularly on its right to run and recruit its own public services so that it can prevent these from falling entirely into the hands of educated southerners, who increasingly appear as an alien, and not over-honest, bureaucracy. The South thus stands to lose a hinterland for the exercise of its talents, now being trained in thousands in its own university and overseas.

The strength of the North's position is impressive, and so far efforts by southern Nigerian nationalists to split its solidarity have had little effect. If Nigeria's federal structure is to be saved, as is infinitely to be desired, Dr Azikiwe and Mr Awolowo may find that they will be advised to make concessions if not about the date, then certainly about the exact form of Nigerian independence. The Colonial Office is in a more than usually strong position to act as honest broker, in as much as it can point to the steady progress of the Gold Coast towards Dominion status, and also to the new Gambian constitution, as evidence of British consistency and good will in making West African self-government a reality.

Kenya's Future

It will soon be a year since the Mau Mau insurrection burst into flame. It will have been a costly year for the colony, costly in life, money and good will. The building up and deployment of large military police and information forces, and the ensuing growth of the strength and proficiency of the Kikuyu home guard have at last turned the scales against the terrorists—but even now, though harried and bombed, they can still mount strikes in bands of over 100 which inflict heavy casualties. It is now recognised in Kenya that, though its grip on the Kikuyu has been broken and its bid to overturn the government defeated, the terrorist organisation will prevent a return to peaceful associations for a long time yet in disturbed areas. Prolongation of bloodshed, furthermore, is having incalculable effects on race relations throughout Africa.

But there are still few signs that either the settlers' leaders or the government in Kenya have constructive ideas about the inauguration of a new era. The absorption of their energies in the fighting keeps bitterness and the sense of grievance alive for lack of more hopeful topics of discussion. Settlers' leaders significantly expressed fears about the shortage of manpower—white manpower—when the Lancashire Fusiliers left the colony, thus underlining their dependence on Britain and the frailty of Kenya's past settlement policies. Former talk about the settlers taking full power seems to have died down. Nothing, apparently, will happen until "circumstances permit" a conference of representatives of all races about the political future; meanwhile little has been said or printed to suggest that the settlers have any agreed programme to offer—beyond the "bowler-hatting" of colonial civil servants of whom they have made scapegoats, and ill-informed denunciations of "Indian imperialism." Settlers assert that they forewarned the government about Mau Mau; but their foresight does not seem to extend to the post Mau Mau period.

This is unfortunate. To win the confidence of Africans and Asians in European leadership, some demonstration of leadership, other than prowess in guerrilla warfare, is necessary. The settlers have had Mr Troup's report on agriculture, and the Royal Commission's report will appear in time. Rehabilitation of "deeply indoctrinated" terrorists is starting, and the welfare schemes so unpopular before the emergency are being inaugurated. But no clear picture of Kenya's future emerges; no framework, within which the much-talked-of racial political co-operation can take place, has been sketched. Both the Colonial Office and the settlers will have to think more quickly on these issues—and not for Kenya's good alone.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of *THE ECONOMIST*. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

Morning Calm in Korea

THE prisoners are coming home at last. Korean Americans, Britons, and men from a dozen other United Nations armies have begun their journey home from the prison camps where some of them have been held by the Communists for as long as three years. The joy with which their families and friends welcome them will be shared by all the peoples of the free world; but it must, for some time at least, be tempered by anxiety about the fate of the large numbers still unaccounted for. A Red Cross team has at last been permitted to enter North Korea to help prisoners during the last days of their captivity; but it seems that the Communists will severely restrict its movements, and it may never be possible to trace some of the United Nations soldiers who, although identified by fellow-prisoners as having survived capture, are not produced at Panmunjom.

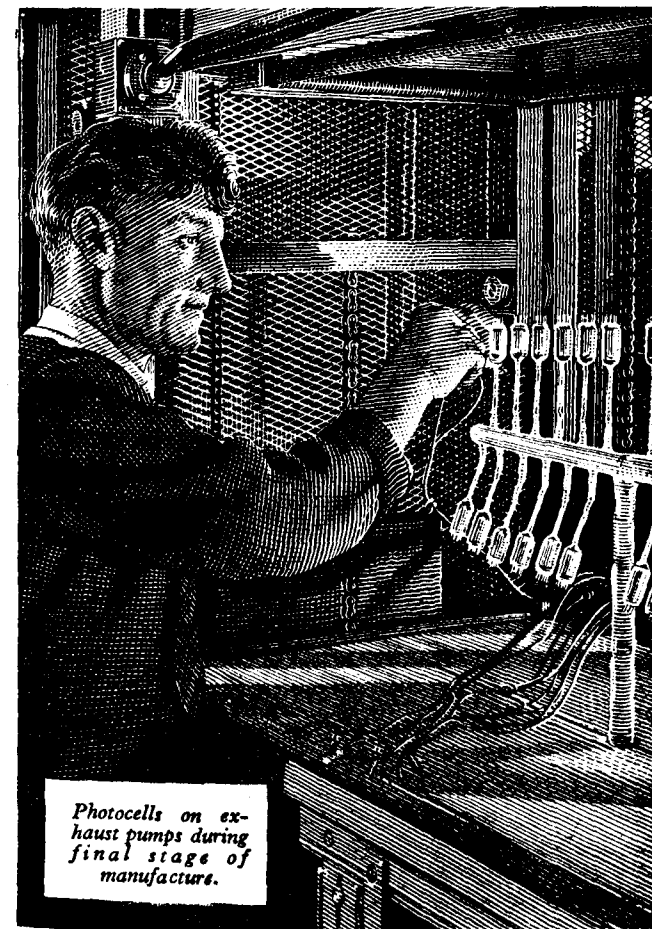
Nevertheless, the general atmosphere in Korea has been transformed by the signing of the armistice. The guns have fallen silent and the casualty lists are being closed. The opposing armies have not wholly relaxed, but the strain on men's nerves is now relieved by the creation of an evacuated zone between the lines. The "neutral nations" have sent in their teams to supervise the terms of the armistice and to help in the disposal of prisoners. Korea, the "land of morning calm," is beginning to recover some of the quiet that earned it its ancient name.

The skies are by no means cloudless. First reports indicate that the Communists are still proving suspicious and obstructive, even over the modest proposals for reciprocal action put forward by Red Cross and neutral teams. Intricate problems lie ahead, almost untouched as yet—for example, the question of withdrawing the opposing armies. And President Rhee's intentions remain obscure. Yet the armistice must inevitably grow stronger with every day that its machinery moves forward, however slowly; and the idea that fighting might be started again, whether by the Communists or by South Korean intransigents, is one that the passing of time may make fantastic for all but the President himself.

Libya and Britain

AFTER months of negotiation and bargaining, relations between Britain and the twenty-month-old Kingdom of Libya have at last been defined and stabilised; last week a treaty of friendship and alliance was signed in Benghazi. The Libyans' determination to make the most of their new independence, their inexperience in matters of treaty-drafting and the intricacy of the arrangements for stationing British forces in the country, have combined to make progress slow. In the event, the outcome is satisfactory to both parties.

The main object of the British has been to retain the military facilities that they have enjoyed since the war. This they have done. The position of the British troops in Libya has been regularised, and the rights and facilities granted to the British military authorities should make it



PROGRESS IN ELECTRONICS

ONE of the earliest electronic devices to strike the popular imagination was the photo-electric cell or "electric eye." The public became familiar with it as a gadget for mysteriously opening doors or sounding burglar alarms.

The modern emissive photocell continues to perform these tasks, but in addition it is employed in a wide variety of control and measuring equipments, which are already indispensable to industry.

The cell contains a photo-sensitive cathode which emits electrons when light radiations fall upon it. This emission, or current, corresponds in strength to variations in the light intensity, even when minute, and when the current is amplified it can be used to

operate measuring, indicating or control instruments. With suitable photo-cathode materials and, if necessary, with the aid of filters, these photocells can also be made sensitive to colour.

Among the many applications of photocells are high-speed counting, batching and sorting of mass-produced articles; inspecting for variations in size or colour; control of temperature, smoke, liquid, position, printing register, or photographic exposure; safety devices in machines and furnaces; and sound-heads in modern cinema projection equipment.

Mullard photocells are used extensively for all these purposes, and research is constantly opening up new fields of application.

Mullard



MULLARD LTD., CENTURY HOUSE, SHAFTESBURY AVE., LONDON, W.C.2

Factories at: BLACKBURN • FLEETWOOD • GILLINGHAM
HOVE • MITCHAM • WANDSWORTH • WHYTELEAF

(MP410F)

Yours truly

There are nearly 600 branches of Martins Bank Limited throughout England, Wales, The Isle of Man and Jersey at which the respective local managers will be honoured to subscribe themselves "Yours truly" should you need any of the Bank's many services.



MARTINS BANK

Limited

London District Office: 68, Lombard Street, E.C.3

HEAD OFFICE:

4, WATER STREET, LIVERPOOL, 2

Total Assets (as at 30th June, 1953) £347,975,315

Scotch Whisky at its best



Even in these hurrying days there are no short cuts to greatness in Scotch whisky. Slowly and steadfastly Old Angus comes of age, gathering wisdom and authority with every passing year until maturity brings true perfection. Then — and only then — when it is smooth and subtle and full of years, this noble Scotch is sent out into the world to show men the miracle that careful blending and rare patience in the ageing have achieved.

OLD ANGUS

A Noble Scotch—Blended for Connoisseurs



ZERO

man and tree

If nature is kind, a man may live in health
to a hundred years, a tree to a thousand.
Man's knowledge of the chemistry of health
is increasing. Through science man is gradually
making nature kinder and more predictable.

Fisons are in the business of chemicals.

Their main manufacture over the
last hundred years has been
chemical fertilizers to enrich the soil.

But they make chemicals
for medicine and industry, too.

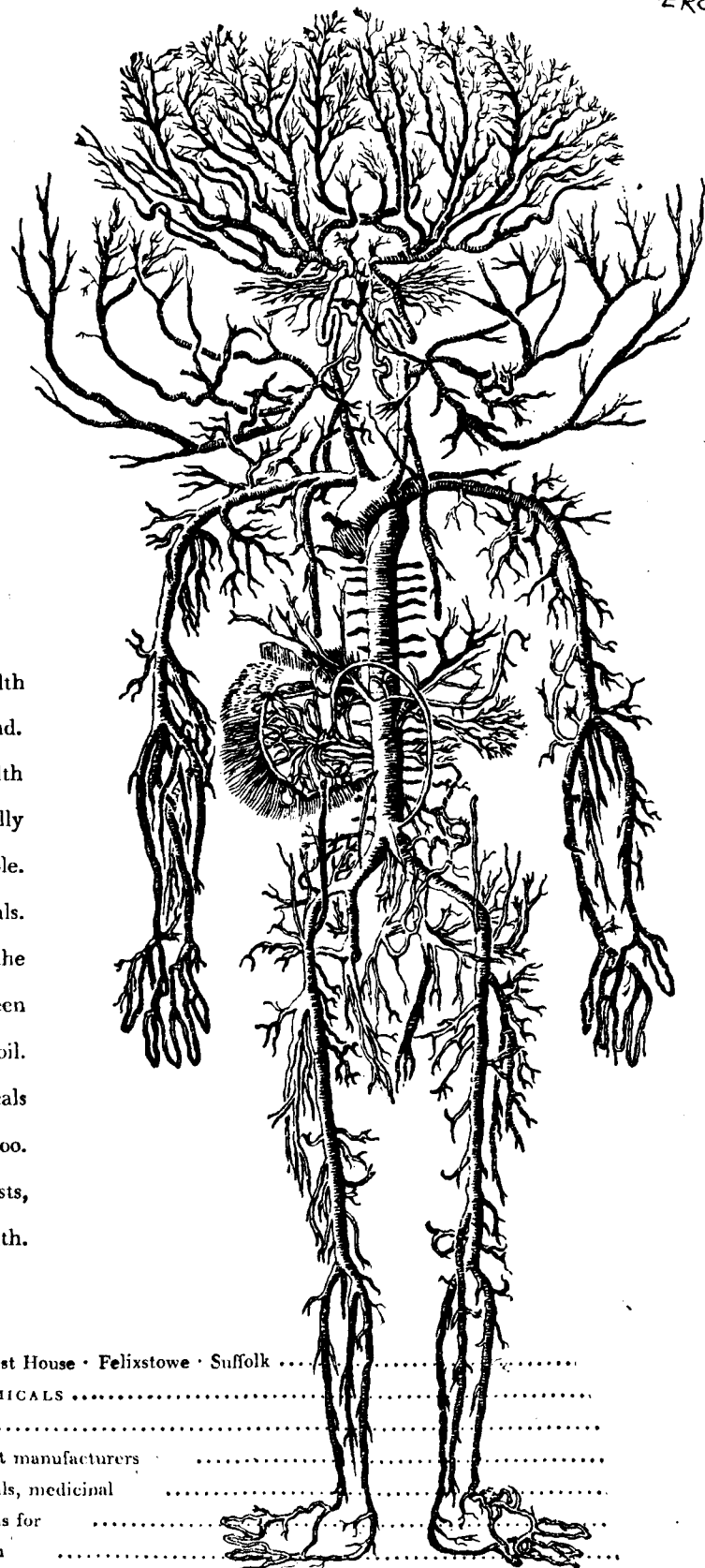
Fisons contribute to Britain's harvests,
health and wealth.

FISONS LIMITED • Harvest House • Felixstowe • Suffolk

FERTILIZERS • HEAVY CHEMICALS

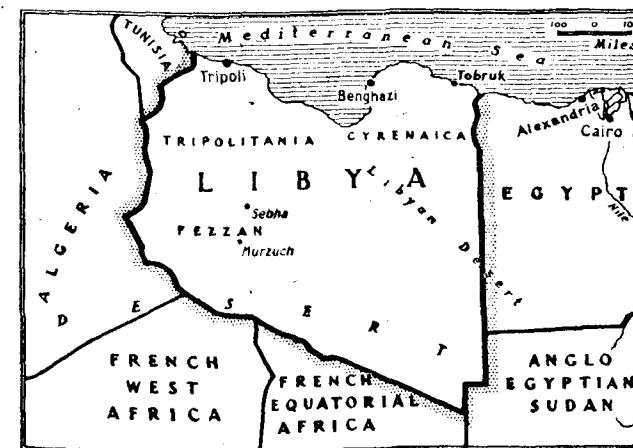
Fisons are also among the largest manufacturers
in Great Britain of pharmaceuticals, medicinal
food preparations and fine chemicals for
Industry. Many of Fisons products in
these fields are household names

it's all in **FISONS** field



possible to retain and maintain this valuable base on the Mediterranean for the next twenty years at least. The Libyan government, for its part, has been anxious to make the most profitable use of its greatest asset—the country's strategic position—without flouting nationalist *amour-propre*. In this also it has succeeded. In future, the British forces are to be as unobtrusive as possible and are to provide their own accommodation outside the towns. In the past their presence in urban areas and their occupation of precious and scanty accommodation have caused friction and resentment. Their legal rights and obligations have also been carefully defined to take account of Libyan susceptibilities.

Much more important, for the next twenty years Libya is guaranteed generous financial aid to supplement its own scanty income and whatever other foreign aid it may get



from such sources as the Point Four and the UN technical assistance programmes. For each of the next five years, Libya will get from Britain £2,750,000 towards balancing its budget, together with £1 million towards economic development. (A five-year economic plan is now being drawn up.) The Libyans can no longer count on getting their budget deficit, however large, covered by British funds; on the other hand, the British taxpayer will in future dig a good deal deeper into his pocket on behalf of the Libyans. The leaders in neighbouring Egypt know they cannot themselves provide the strong economic support which Libya needs. Unfortunately, however, they take no steps to curb the sound and fury of their press and radio, nor have they put a stop to the open Egyptian intrigues in Benghazi. All this has annoyed the Libyans a good deal and will no doubt stiffen their attitude towards the criticism and abuse which the Arab League can be expected to hand out to its newest member.

Storm Signals in Turkish Politics

THE Turkish government, under bombardment by Soviet complaints of the visits of British and American warships to Istanbul, has also been contending with political troubles at home. Early last month the small, highly conservative National Party was temporarily banned on the grounds that it was engaged in subversive activities under a religious cloak, and a widespread judicial investigation

into its records and activities was begun. The government, undeterred by the outcry this aroused amongst its political opponents, later introduced several measures designed to preserve the country's political stability. The most important of these is to prevent the use of religion and religious feelings "to secure political or personal influence or interest"; it also aims at stopping the use of slanderous and insulting language at political meetings.

It is conceivable, as Mr Menderes's bitterest opponents assert, that the government has been acting with an eye on next year's general elections, that it has wanted to strike down a potentially dangerous rival party and to prepare new ways of curbing the political activities of its opponents. But the government did not itself produce the charges against the National Party. Action was taken on the basis of accusations made by dissident members of the party who had quarrelled violently with their leaders about their alleged failure to restrict reactionary elements who were plotting to undo the Kemalist reforms. No one can be sure that the government's efforts over the last year have really removed the sting from the latent forces of religious reaction; few doubt that these could represent a grave danger to the state.

If Mr Menderes failed to take adequate steps to safeguard the institutions of Ataturk's Republic, the Republican People's Party would be the first to condemn him. Indeed, the party supported the law to prevent the political exploitation of religion, although it opposed the anti-slander clause. This latter clause is, of course, a double-edged weapon; its wording is somewhat imprecise and it could be used to restrict unreasonably rights of assembly and expression. But there is nothing in the record of the Democratic Party government to suggest that it does not intend to do its best to play fair. Unless there is definite evidence to the contrary, it should be given the benefit of the doubt.

The Farce of Food Rationing

THE embarrassment of the Ministry of Food becomes greater every week. The foods it controls do not sell at existing prices, and these prices can be reduced only by throwing overboard the Government's financial policy and increasing the subsidies. The worst problems are meat, bacon and milk. There have been reports that the three-pennyworth of meat that butchers are allowed to sell to all comers will be raised to 6d. But that would be a superfluous gesture indeed. A customer who will take more than her entitlement is already very welcome at the butcher's, for the average person is spending only 2s. 3d. out of a theoretical limit of 2s. 6d. on each ration book. The bacon ration, equally, is a farce, for only about 80 per cent of it is sold. Lower prices will mean less profit on imported bacon and more subsidy on the home product.

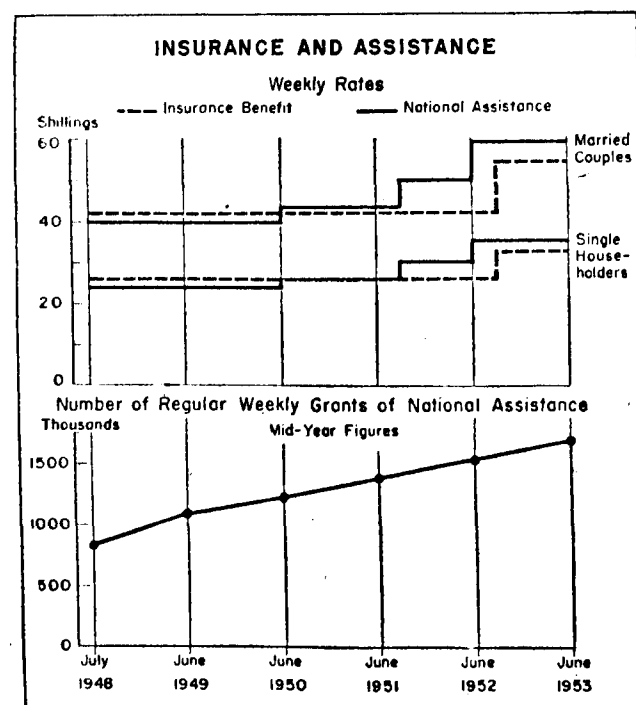
But the Ministry of Food's stores are not only bulging with meat and bacon; they are also stacked with tins of milk. Milk production still rises, although less liquid milk is being drunk, and an ever-increasing remainder goes to the manufacturers, who, so far this year, are getting about 25 per cent more milk than before the war. Most of this goes into condensed milk, stocks of which are mounting, while demand lags well below the prewar level. At that

time many people used it because even the full-cream variety was cheaper than fresh milk. But it is now more expensive, for it is not subsidised; and it will be more expensive even after September 1st (when prices are to be reduced by between 1d. and 3d. a tin) and even though the usual seasonal rise has this week brought the price of fresh milk up to a record level. Could the surplus milk be turned into butter and cheese, which are still scarce? The chief difficulty is again the subsidy, which is far heavier on home than on imported supplies.

The root cause of all this chaos in food policy is the confused attempt to achieve two goals at the same time: to increase food production at home and to advance towards a free market. The consumer has ruined the game by refusing to play.

Subsistence Through Assistance

A DEAL of fuss was made recently about the few thousand unemployed whom the end of "extended benefit" would force on to national assistance and the means test. Yet the Assistance Board exists for that very purpose: to provide an income, enough for subsistence, for the few who have exhausted their right to insurance benefits or have never been eligible for them. What was never intended, in the postwar years when the social security



The scales for national assistance exclude any allowance for rent.

scheme was drawn up, was that people should have recourse on a large scale to the Assistance Board for grants to bring their insurance benefits up to the subsistence level.

The extent to which this is happening is brought out in the Assistance Board's latest report (Cmd. 8900) and illustrated in the accompanying charts. The cost of living had risen so much between 1946, when the insurance benefits were fixed, and 1948, when the scheme came into force, that if an allowance for rent was added to the national assistance

scales, benefits actually started off below the subsistence level. Thus the board began its new career in July, 1948, by having to supplement over half a million people drawing insurance benefits as well as providing a regular weekly income for nearly 300,000 others. Since then, the gap between insurance and subsistence has widened. By 1950, the allowance for a married couple, even exclusive of rent, exceeded the comparable insurance benefit. For a year, from 1951-52, the benefit of the older retirement pensioners caught up national assistance, while other benefits were left well behind. In 1952, however, insurance benefits of all kinds were equalised; but they were not increased enough to bring them up to the new assistance rate necessitated by the cuts in food subsidies.

Thus by June of this year nearly 1,700,000 weekly allowances were being paid by the Assistance Board, of which over 1,100,000 were to supplement insurance benefits. Until next year's statutory review, any attempt to alter benefits would be premature. But after the review has taken place the Government will have to decide whether the Assistance Board is to continue bolstering up national insurance on the present scale. If not, and an effort is made to place benefits on a subsistence level and to make this level inclusive of rent—a principle which all parties were once agreed on—the Government will have to impose a big increase in contributions.

How Malaya Pays its Way

A RECENT newspaper headline stating that "Malaya faces bankruptcy" is a considerable distortion of the facts. It is true, as almost everyone in the Federation knows to his cost, that the prices of rubber and tin have lately tumbled a long way from the peak levels reached in the early stages of the Korean war. Rubber has dropped from a 1951 average of 170 cents per pound (\$1 Malayan = 2s. 4d.) to around 65 cents, and tin from \$527 per picul to around \$295. And, since this year's Malayan budget was based on an estimated average price for rubber of 75 cents and for tin of \$480, Federal revenue, depending largely on export duties, is a long way below estimates. But it is wrong to jump to the conclusion that this is therefore a crisis which must mean slashing expenditure on either the emergency or the development of social services. The background to the Malayan Government's financial position is surprisingly strong.

Revenue in the calendar years 1950 to 1952 was, respectively, \$433, \$735 and \$725 million. Last year expenditure almost exactly equalled revenue, which meant that a surplus of \$322 million from the previous period was carried forward into 1953. The budgeted deficit for this year is \$97 million and this has already been met by a \$100 million loan. Although, therefore, the fall in commodity prices will mean a much larger deficit than originally expected, there is considerably more than enough in the surplus to meet it. As to the future, the existing price levels of rubber and tin imply a government revenue of about \$500 million; this may rise as income tax begins to take more effect. Normal expenditure, apart from the emergency, runs at just about this figure.

The problem, therefore, is to finance emergency measures. Their current cost runs at a rate of about \$200

million a year, but this year has probably seen the peak; on the other hand, whatever happens the cost can only be scaled down gradually. Malaya, however, has probably been more successful so far than any other country in recent history in paying for its war out of current earnings. Public debt only amounts to \$220 million; it would be legitimate to increase it and the government's credit is good. Naturally, the bare bones of these statistics leave out of account the question of increased aid from Britain, the hot dispute about the equity or wisdom of maintaining heavy duties on the rubber industry at a moment when the world market is poor, and the need for capital expenditure to develop Malaya's resources. But they do show that the Federal government is far indeed from "bankruptcy."

The Supreme Soviet Meets

RUSSIA'S seldom-convened parliament, the Supreme Council or Soviet, began its new session only a few hours before *The Economist* went to press, and at this stage only provisional comments can be made. Some clues to the political puzzle of the last few weeks may emerge when the Supreme Soviet reaches the second and last item on its brief agenda, the approval of decrees issued by its own Presidium. For the moment, however, the only direct reference to the fall of Beria has been contained in the new order of precedence among the Russian leaders. Malenkov is now followed by Molotov and Nikita Khrushchev, the first secretary of the Party.

Without any political prelude, the Soviet sat down to its long overdue task of approving the budget. The speech which it heard from the Finance Minister, Arseni Zverev, contained so many gaps that it must have left the delegates almost as much in the dark as the outside observer. Mr Zverev's task was certainly not an enviable one. The revenue side of his budget had been reduced for him by the moves to woo the consumer which followed Stalin's death. The big cut in retail prices, which involved a reduction of the turnover tax on consumer goods, diminished his main source of income. State borrowing has also been reduced. Finally, the need to placate the peasants, who seem to be now the

THE SOVIET BUDGET

'000 million roubles	1952 est.	Per cent	1952 actual	Per cent	1953 est.	Per cent
Revenue						
Turnover tax	260.7	51.1	n.a.	n.a.	240.4	44.8
Profits tax	62.0	12.2	58.4	11.7	80.6	14.8
Direct taxes	47.4	9.3	n.a.	n.a.	46.1	8.5
State loans	42.6	8.3	36.3	7.3	16.7	3.1
Other revenue	97.2	18.9	n.a.	n.a.	159.5	29.4
TOTAL	509.9	100.0	497.7	100.0	543.3	100.0
Expenditure						
Grants to national economy	180.4	37.8	178.8	38.9	192.5	36.3
Social and cultural services	124.8	26.2	127.8	27.8	129.8	24.5
Defence	113.8	23.9	n.a.	n.a.	110.2	20.8
Administration and justice	14.4	3.0	n.a.	n.a.	14.3	2.7
Other expenditure	43.5	9.1	n.a.	n.a.	83.7	15.8
TOTAL	476.9	100.0	460.2	100.0	530.5	100.0

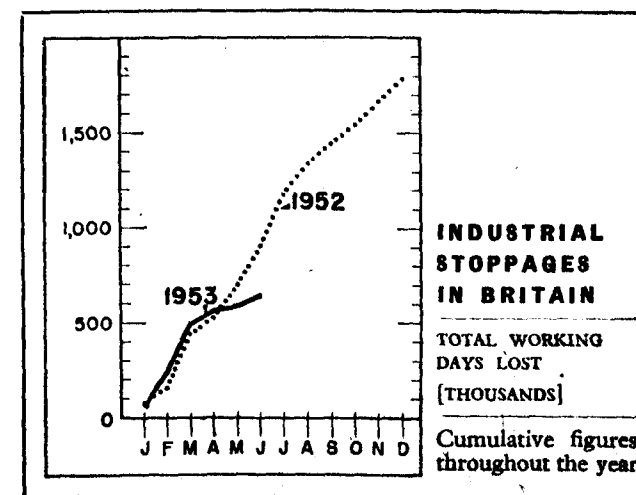
regime's biggest problem (it will be recalled that one of the charges against Beria referred to grave mishandling of agriculture), has forced Mr Zverev to cut by nearly half the tax levied on farmers' income from their private plots. This last was never a major source of revenue, and the political gain probably outweighs the economic loss; but all the cuts combined must have left a big hole in the Soviet exchequer.

In spite of this, Mr Zverev has budgeted for a bigger income, a larger expenditure and a surplus of nearly 13,000 million roubles. It is apparently hoped that a bigger turnover and a more economic use of resources by state enterprises will increase both their profits and the share of the tax-collector. Yet, as can be seen in the accompanying table, the bulk of the increase is to come from the now huge unspecified source described as "other revenue."

Russian Defence in the Dark

ON the expenditure side of the Soviet budget, the enigmatic word "other" again accounts for more than half of the estimated increase. Although social and cultural services and grants to the national economy are increased in absolute terms, their shares of the total budget are to be cut. Admitted expenditure on defence is being reduced in both absolute and relative terms. But while a genuine cut in Soviet arms spending would obviously be a most welcome happening, it will not command much credence until more information is provided about the large unspecified items of expenditure.

It is astonishing that Mr Zverev did not try to make more political capital out of his announcement of a reduced estimate for arms. The Kremlin may have feared that the West would take it as a sign of weakness; it may have been equally worried about the reaction of the Russian military diehards, who are now in such a strong position. At all events, Mr Zverev wrapped up his sweet pill in an unappetising coating: "Taking into account the new threat of aggression from enemies of peace, the defence budget amounts to 110,200 million roubles, which will ensure the further improvement of our valiant armed forces." In this



way was introduced the first slight decrease in visible defence expenditure since 1947.

It is common knowledge that not all Soviet defence costs fall under "defence" in the budget. Thus, the building of arms factories comes under "grants to the national economy," and the maintenance of MVD troops and possibly atomic projects would be covered by "other expenditure" (though atomic research may also be partly included under education). The "defence" item, however, is not entirely meaningless. It presumably covers the upkeep of troops and the actual purchase of their conventional weapons. Moreover, as can be seen from the figures below, there has in the past been a clear relation between the real military effort and the share of the total budget allotted to "defence."

Percentage of Expenditure Allotted to "Defence."						
1932	1938	1942	1948	1950	1952*	1953*
3.4	18.7	59.3	17.9	20.1	23.9	20.8

*—Estimates.

This time, however, the picture is obscured not only by the swollen proportions of the unspecified items but also by Mr Zverev's tone. The whole budget, indeed, tends to strengthen the impression that the Soviet leaders are still undecided how to apportion their scarce resources and what posture to adopt towards the West.

Nursing in Mental Hospitals

THE latest report of the Board of Control (HMSO, 6d.) shows another increase last year in the number of patients in mental hospitals. A steady increase, in spite of the advance in methods of treatment in recent years, is an inevitable accompaniment of an ageing population. Unfortunately, the accommodation has not kept pace with the greater numbers; and the Board of Control points out that there were 17,522 more patients in the mental hospitals than they were designed to receive. Besides this overcrowding in the hospitals, the mental deficiency institutions have a waiting list of nearly 9,000.

There has, however, been welcome evidence lately that the mental health services are receiving much more official attention than they used to. In making the capital allocations to the regional hospital boards for 1954-55, the Minister announced that he is setting aside a special reserve for the provision of more accommodation in mental hospitals. Schemes financed from this reserve are to be additional to any schemes for the mental hospital service included in the boards' ordinary capital programmes.

The greatest problem facing the mental hospital service is, however, the shortage of nursing staff. Last year, according to the Board of Control's report, the numbers of trained nurses, and of student nurses, counting both men and women together, remained stationary. Since the wastage among student nurses is extremely high—80 per cent for the women, compared with 40 per cent in general nursing—any falling off in the number of students will have a serious effect on the number of trained nurses later on. Hitherto, mental hospitals have diluted their trained nurses with "nursing assistants." These are to be distinguished from the state-enrolled assistant nurses of general hospitals,

for they have no recognised course of training at all. The Ministry of Health recognises that the nursing shortage cannot be relieved except by the employment of even more nursing assistants, but it suggests that they should be given special courses of instruction. Mr Macleod has pointed out that in general hospitals the recruitment of assistant nurses has actually been accompanied by an increase in trained and student nurses to record levels. There has, however, been no mention of salaries. Are potential trained mental nurses going to be satisfied with rates of pay in training that are so little different from those of nursing assistants and even laundry maids?

Research at the Bedside

LITTLE use has so far been made of the Minister of Health's power, under the National Health Service Act, to promote medical research. This is partly because no one has known how the power should be exercised and what should be the relation between research projects promoted by the hospitals and those organised by the Medical Research Council. At one time the Minister appeared to want all research schemes to receive the council's approval, which would have given it a most undesirable monopoly. To clarify the matter, therefore, a joint committee of the Medical Research Council and the Minister's advisory medical committee was set up, and its report was published recently as a White Paper (HMSO, 9d.).

The committee was concerned solely with clinical, not fundamental, research, which implies "research into the mechanisms and causation of disease including its prevention and cure." Its proposals are three-fold. The Medical Research Council has already greatly expanded its own clinical research facilities in recent years. This trend will now be accelerated by the committee's proposal that a central Clinical Research Board should be established and made responsible to the council. Its purpose is to promote research that needs to be done on a national basis—therapeutic trials of new drugs are an obvious example—and which falls outside the scope of the hospitals, such as epidemiological studies. Secondly, decentralised research in non-teaching hospitals is to be encouraged. Where it is paid for by the Exchequer, and not from endowment moneys, an annual report on each project will have to be submitted to the Ministry and every fifth year these progress reports will themselves be reported on by the Clinical Research Board. This is a necessary safeguard that public money is not being wasted. The important point is that hospitals will be able to rely on a regular sum for simple clinical investigations, some of which may in the long run actually save money.

Clinicians have often been deterred from undertaking research because it is badly paid. The most far-reaching of the committee's proposals is therefore the recommendation that careers in clinical research should be equated with careers in the health service, provided that clinical training and responsibility are maintained. To carry out this recommendation may raise more practical difficulties than the committee appears to realise. But the general principle—that transfer from research to practice and back again should be made easy—will win general support.

Letters to the Editor

The Boothbyites

SIR—I have read the article in your issue of August 1st on foreign affairs and particularly Anglo-American relations. There is little point in taking the discussion further here, since your view is well known and consistently expounded. For the sake of factual accuracy, however, it ought to be pointed out that there is a tremendous weight of opinion in this country which is disquieted lest a concern for Anglo-American friendship should produce a servility and then a reaction of violent dislike. It does no good to dismiss this widely felt apprehension as the view of "Bevanites and some Boothbyites."

One had noticed a parallel tendency to dismiss certain economic policies as the views of a small minority of which Sir Robert Boothby is a distinguished member. The policies in question, which presumably constitute "Boothbyism," are based on a strengthening of the economic system which includes the Sterling Area and Europe, which is effectively the same as the European Payments Union and which it is the aim of the Strasbourg Plan to consolidate in other ways as well. No one would deny the importance of Sir Robert's contribution to these ideas. Nevertheless it ought to be added that the Conservative Party's "Imperial Policy" is in this sense Boothbyite. The metaphor of British foreign interests as a system of three overlapping circles (Commonwealth, European and Atlantic) is Sir Winston Churchill's and Mr Eden's. The National Conference of the Conservative Party has repeatedly gone on record for such a view, last year especially in an amendment carried by acclamation on its principal external affairs resolutions.

In the Labour Party, Mr Attlee has recently spoken of the vital importance of strengthening EPU. Mr Jay has emphasised the primary need to build up the Commonwealth's economy and the Party's official policy statement talks in the same sense. These are hardly "Bevanite" utterances.

The Working Party which prepared the Strasbourg Plan was presided over by Sir Cecil Kisch, and contained such economists as Mr Paul Bureau, Mr Brech and Mr Page. The European League for Economic Co-operation, in its study of "Trade Relations between Europe and the Commonwealth" and the resolutions of its Westminster and Brussels Conferences, has subscribed to views basically the same as appear in the Strasbourg Plan. Earlier still, Signor

Pella put forward a project since named after him, for the creation of a preferential area concerning Europe and its overseas associates, which attracted much favourable comment at the time.

Sir Robert has truly a formidable army! It might, in fact, be as well not to belittle this "minority" too harshly, lest we should ask to know where and who the majority is.—Yours faithfully,
House of Commons PETER BAKER

[This is not the place to discuss the wider issues of foreign policy raised in Mr Baker's letter. There are, however, two specific points that should be made in reply:—

1. Mr Baker puts the word "minority" in quotation marks, but it is not a quotation from the Note in *The Economist* to which he refers. We would agree that the various groups of people who, in their ways and for their various reasons, advocate a softer turn in British foreign policy are certainly not numerically negligible, and perhaps not a minority at all. That is what we find so alarming; it is what led us two weeks ago to express the opinion that the present period is "the most dangerous since the end of the war." We very much fear that the most lasting result of the Prime Minister's speech of May 11 may be that it has made wishful softness (which we mean to be a politer euphemism for appeasement-mindedness) once again respectable.

2. We have never derided Sir Robert Boothby's economic ideas. We may not have agreed with every detail, but over the last ten years or so, as a whole, we should have said that the economic ideas of the "Boothbyites" and our own had run on closely parallel lines. We have consistently held that, in economic matters, the facts of the postwar world compel Britain and most of the other non-dollar countries to steer a course different from that advocated by the Americans. What does alarm us is to see unwarranted and dangerous (as it seems to us) political conclusions being drawn from these economic views.—EDITOR.]

The Market in Oil

SIR—Your article in the issue of July 25th states that the system under which "prices for Middle East crude . . . remain linked to prices for crude oil at United States Gulf ports . . . has been much under fire by the Economic Co-operation Administration and its successor," the Mutual Security Agency.

The ECA and MSA have never attacked the system itself; they have merely asked for greater consistency in its application. The selection of the appropriate freight rate is the most important step in the proper solution of the system's formulas. However, when we were financing Middle East crude oil, we felt that we could not use any other rate in working out the formulas

than the one actually charged our European "clients" for freight in company fleet tankers—in recent years, the "London Award" rate.

As you point out, the companies are caught in a three-way squeeze among the domestic producers in the United States, the governments of the Middle East producing countries, and the governments of consuming countries in Europe. For this reason, they may ultimately find it desirable to adopt a pricing formula for both company fleet tanker rates and f.o.b. crude oil prices which appears reasonable to all three of these groups.—Yours faithfully,

CORNELIUS J. DWYER
Mutual Security Agency,
Washington, DC

SIR—Your article of July 25th rightly questions the relationship between the cost and price of Middle Eastern oil. There is, however, one very important aspect on the problem that you do not mention. Oil is the principal natural resource of the Middle East and it has in the past been exploited with comparatively little regard for the peoples of the area. To-day the impossibility of establishing a realistic price for oil which can be produced for as little as \$2 a ton gives the western world a chance to break the cycle of poverty in the Middle East and provide it with the capital it needs so badly. The area will receive perhaps as much as £200 million each year in royalties under the new profit-sharing

THE RISE OF THE MIDLAND INDUSTRIES 1600-1838

By W. H. B. COURT

(Re-issue) 21s. net

The author traces the industrialization of Birmingham and the surrounding Midland areas, between the sixteenth century and the Age of Reform, and shows how a growing industrial society flourished in the interstices of a rural and socially feudal system.

'An admirable piece of regional economic history.' *Manchester Guardian*

THE WOOL TRADE IN ENGLISH MEDIEVAL HISTORY

Being the *Ford Lectures* delivered in the University of Oxford in Hilary Term 1939 by EILEEN POWER. 12s. 6d. net

'This is exposition, not exhaustive discussion. As such it is brilliant.'
Times Literary Supplement

OXFORD
UNIVERSITY PRESS

agreements and these funds can play a vitally important role in helping to raise the living standards of the Middle Eastern peoples.

Unfortunately there is one very serious difficulty. Except in Iraq where development in irrigation, flood control, transport and many other directions is already well in hand the countries richest in oil are poorest in potentialities for economic development. The countries of the Fertile Crescent receive only small transit dues although they offer the greatest scope for development. It seems that the need for a regional investment organisation perceived both officially and by academic observers several years ago is greater to-day than ever. If this difficulty can be overcome the maintenance of the link between American production costs and the world price of oil will enable the west to assist an undeveloped region without bringing into existence a debtor-creditor relationship or the suspicions that an aid programme can so easily engender.—Yours faithfully,
S. J. LANGLEY
Oxford

Trading in "Know-How"

SIR—Your article of July 18th points to the danger that the UN expanded programme of Technical Assistance may be stunted for lack of money. You contrast the programme's "modest but solid achievements" with the "impractical schemes frequently mooted for the development of backward countries." A major hindrance to such schemes—which are mooted only because they are urgently needed—is the inability of many under-developed countries to absorb capital fruitfully, due to lack of qualified personnel. It is precisely this lack which the UN Programme is designed to meet.

Britain's contribution to the programme can be called a bargain investment from the standpoint of the sterling area balance of payments. Even on the narrow question of the balance of advantage on technical assistance payments, it is authoritatively estimated that so many experts have been supplied from the United Kingdom, and so many people trained, that payments from the T.A. fund which will reach us and our nationals in 1953 would total \$3 million against the \$1.4 million we subscribed.

You draw attention to the fact that in the first two financial periods when the budgets were each for \$20 million, Britain reduced her pledge from £760,000 to £450,000. The grant voted by the General Assembly, including the United Kingdom, for 1953 was \$25 million. Full restoration in relation to the increased budget requirement, therefore, would put Britain's contribution at £950,000, which is roughly equivalent to the annual amount pledged by Britain to the Colombo Plan Technical Co-operation Scheme. It should be remembered that the US Government has agreed to contribute in the proportion of \$60 to every \$40 contributed by other

governments, up to a limit. Thus an increase in Britain's contribution would probably be matched by a further contribution of half as much again from the United States.—Yours faithfully,
London, W.1 GORDON EVANS

Guide Books

SIR—Your correspondent, in his admirable and judicious article on Guide Books (in your issue of August 1st), has taken into account almost all the facts; but it may not be out of place to call your readers' attention to one or two more which seem to be relevant.

1. It would seem—now that Baedeker has appeared in a new guise under the aegis of "Shell"—that the "Blue Guides" and the "Guides Bleus" are today the only "classical" guide books that are not copiously subsidised, and are run purely on their own merits as a straightforward commercial venture. They advertise nothing at all, not even motoring accessories.

2. The "classical" guide book is not intended solely as a travelling companion; it is designed to serve also as a book of reference, and its value (it is hoped) does not lapse with the year of publication. Hence the detailed index and topographical exactness.

3. Not all travellers are motorists, and the "Blue Guides" attempt to serve also those tourists who patronise public transport—especially the growing number of excellent motor-bus services which have opened up many remote and fascinating districts.

4. The problem of maps for guide books is probably insoluble, since a sufficiently large scale is incompatible with a sufficiently small bulk. Real explorers must carry separate maps. The Michelin maps are admirable so far as they go, but off the motorist's beaten track they are inadequate. They are not "in the same street" as the one-inch Ordnance Survey or Bartholomew's (unsubsidised) half-inch reduction of it, to which travellers of all kinds in Britain owe an immeasurable debt.—Yours faithfully,
L. RUSSELL MUIRHEAD
Editor, Blue Guides.

London, E.C.4

More Academic Than Free

SIR—Lest silence by Communists be regarded as their agreement with the extraordinary propositions about them put forward by your recent American correspondents, may I be permitted to say that (i) it is not true that the Communist Party is "committed to deliberate falsehood as a tactic"—although vicious persecution such as that practised in Tsarist Russia, in McCarthy-ridden America or in Hitler-occupied Europe has always driven people of various opinions to resort to falsehood for self-protection; (ii) it is not true that a member of the Communist Party has to "surrender his duty of independent criticism and even his conscience"—

least of all in matters of academic truth and error, where (unlike some more fashionable doctrines) Marxism enjoins on him to test his thinking by critical sifting of the evidence, by experiment and practice; (iii) it is not true that a member of the Communist Party is "powerless to control" the direction of his party, as anyone who attends Communist Party conferences and congresses knows.—Yours faithfully,
London, N.6 ANDREW ROTHSTEIN

Jerusalem

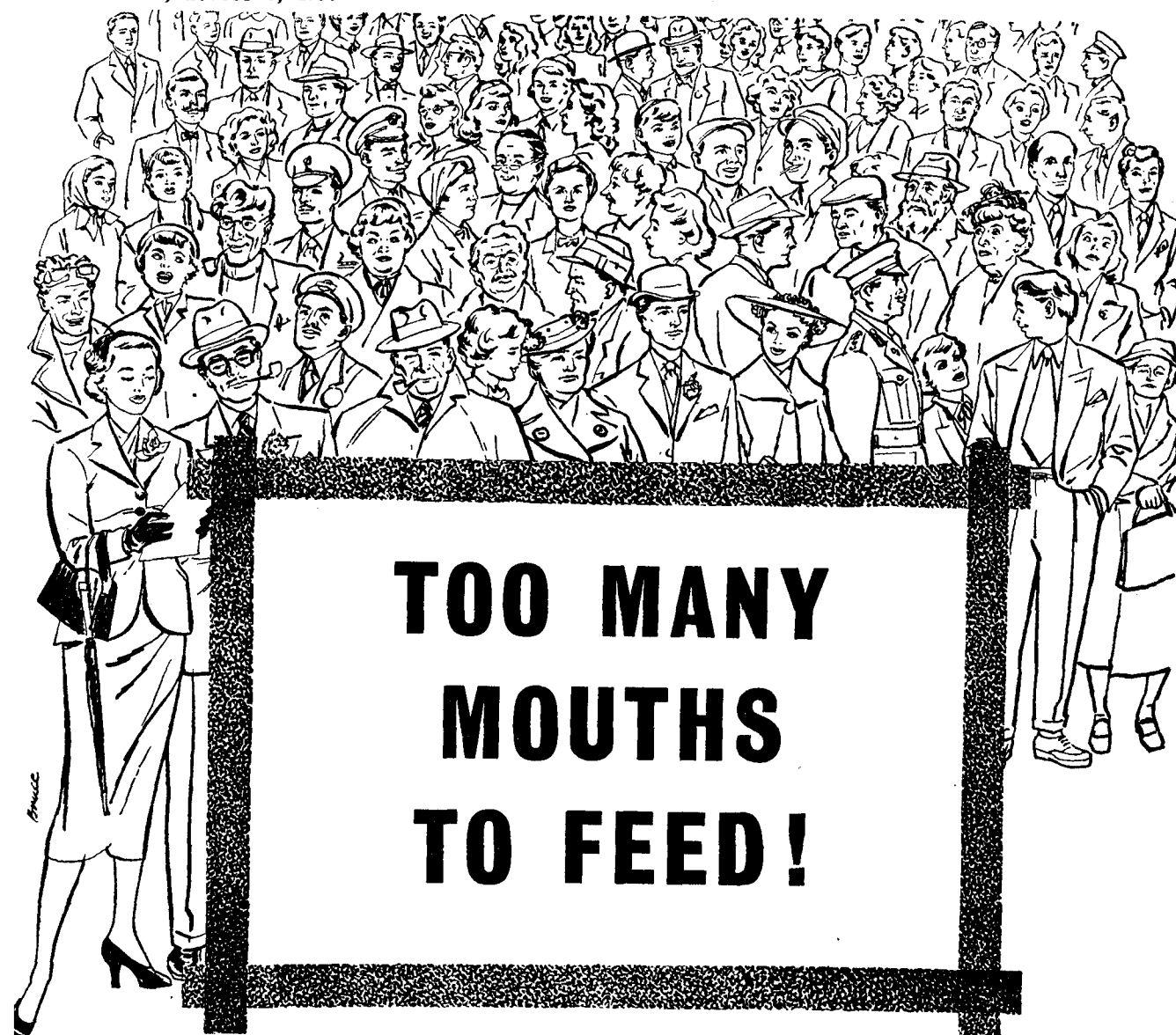
SIR—In the Note which you published in *The Economist* of July 18th, you state that "the idea of an international Jerusalem is . . . a dead letter." The stipulated unwillingness of foreign powers, including Britain and the United States, to deal with the recently installed Israeli Foreign Office in the New City of Jerusalem would clearly suggest that "internationalisation" is anything but dead; your interpretation would suggest that this stipulated unwillingness is simply a face-saving device of powers confronted by an "awkward decision." In the view of one recently returned from the Middle East, the Israeli Government's action appears as a highly significant and serious incident in a continuously deteriorating situation. Friends of the United Nations' Organisation throughout the world cannot be other than deeply concerned with this latest defiance on the part of Israel.

The Economist may consider it prudent to avoid the deeply seated religious issues involved in the Jerusalem situation; to do so is to ignore some of the most salient facts involved. There is at stake in the Holy City of Jerusalem the existence and preservation of the all-important Moslem, Jewish and Christian shrines, and all the ramifications which they entail throughout the world; the deeply disturbed economic future and political stability of the whole city of Jerusalem, both old and new; the prestige and ability of the United Nations to carry out its own resolutions. The world has everything to gain, both spiritually and politically, from a free International City of Jerusalem; conversely, it has a great deal to lose by the defeat of that plan through the unilateral action of either Jew or Arab.—Yours faithfully,

ROBERT J. MOORE

New York

[Against "spiritual and political gains" must be offset some economic difficulties. A free city installed in the teeth of the opposition of both its neighbours could not live on pilgrimage receipts alone if the two neighbours were both competing for visitors that neither can afford to lose. The economic *sine qua non* of an international Jerusalem would be the establishment there of some revenue-bringing international organisation. Which of these is going to move from New York or Rome or Geneva? At present, even the UN Relief and Works Agency prefers Beirut.—EDITOR.]



In this small island, we have fifty million people to feed. How to do so is the one fundamental economic difficulty of today. The same problem looms large in other lands, too, but here it overrides every political programme, because unless we can solve it, nothing can prevent an inevitable decline in our standards of life.

What are we to do?

In our own country, we must use every available technique and priority to increase food production. Even in this land of industrial power, that power should be geared to the production of food.

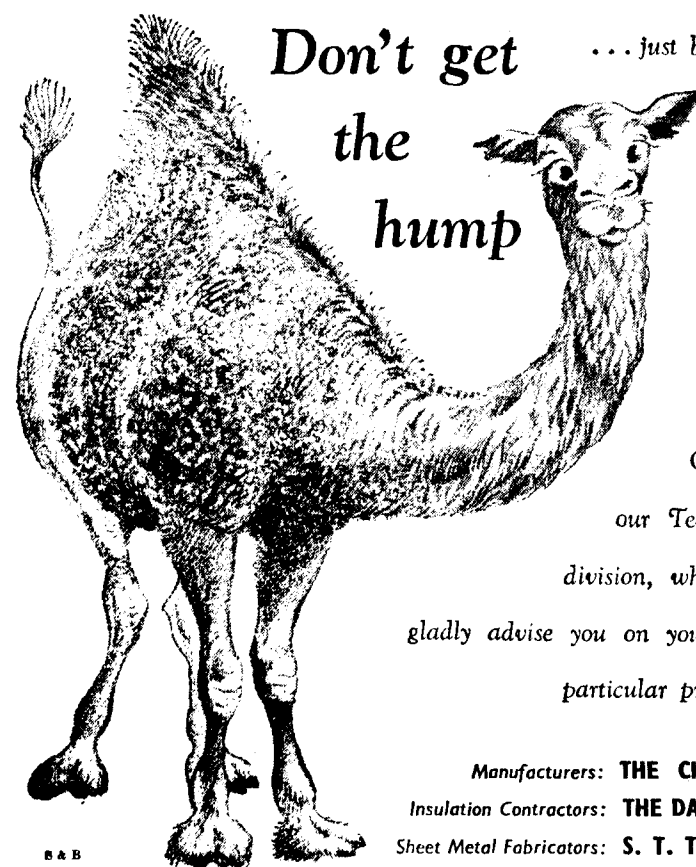
But the great Commonwealth with which we are associated could be the biggest development area of this century. It is 80 times the size of the U.K. Its resources are greater than any other single area in the world. It can grow whatever is grown and is potentially the richest group of nations in the world. If capital was diverted to the Commonwealth to carry out its development, we should see more than the commensurate return.

To see the Commonwealth prosperous and expanding, and our own economy more surely based, is worthy of every effort in our power.

GROW MORE FOOD IN BRITAIN AND THE COMMONWEALTH

Issued in the public interest by Harry Ferguson Ltd., Coventry.

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.



Don't get
the
hump

... just because you can't find an answer to all your problems.

The camel knows something about conservation
of energy . . . that's why he's got the hump.

When your problem is heat conservation,
the solution is Darlington 85% Magnesia.

Millions of evenly dispersed air cells
make it the best industrial heat conserver.

Consult
our Technical
division, who will
gladly advise you on your own
particular problem.

DARLINGTON
85% MAGNESIA
Insulation

Manufacturers: **THE CHEMICAL & INSULATING COMPANY, LTD., DARLINGTON**
Insulation Contractors: **THE DARLINGTON INSULATION CO. LTD., NEWCASTLE UPON TYNE**
Sheet Metal Fabricators: **S. T. TAYLOR & SONS LTD., TEAM VALLEY, GATESHEAD-ON-TYNE**

↑ → → → → → → → → → →
EVERYWHERE

↑ from **DROPMORE**

4 miles from Beaconsfield, Buckinghamshire



↑ and **DROPSHORT**

District of Bletchley, Buckinghamshire

↑ to **CRYERS HILL**

2½ miles from High Wycombe, Buckinghamshire

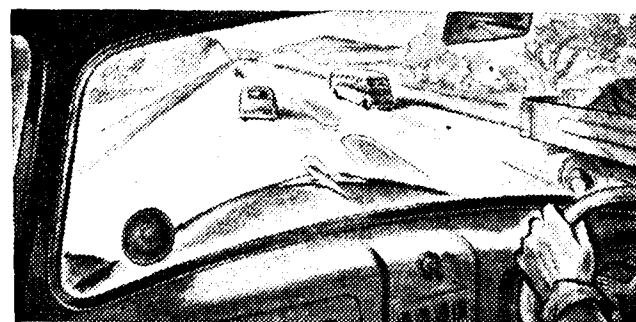


↑ and **LOUDWATER**

3 miles from High Wycombe, Buckinghamshire

↑ you can be sure of

↑ **SHELL**



YOU'LL FOLLOW THE TRACKS

Of The BIG Yellow 'CATS'

Many people on the east coast of England have been astounded at the speed with which Caterpillar earthmovers have helped to rebuild the shattered sea defences.

One day—perhaps soon—you'll be travelling the new roads which such Caterpillar equipment as this has helped to build. They'll be fine roads, a credit to Britain; the ultra-powerful, fast-working 'Cats' (world-recognised nickname for

world-famous machines) will have done an incomparable job, going a long way towards solving the country's transport problems.

Distributed & Serviced in U.K. by:
North & East—H. Leverton & Co. Ltd., Spalding, Lincs.
Wales & South-West—Bowmaker (Plant) Ltd., Willenhall, Staffs.
London & South-East—Fred Myers Tractor & Equipment Co., 4 Tilney St., London, W.1.
Scotland—Caledonian Tractor & Equipment Co. Ltd., 1 Rigby St., Glasgow, E.1.



CATERPILLAR
(Regd. Trademark)

DIESEL TRACTORS AND EARTHMOVING EQUIPMENT

Books & Publications

French Balance Sheet

FRENCH POLITICS: The first years of the Fourth Republic.
By Dorothy Pickles.
Royal Institute of International Affairs.
302 pages. 25s.

INTRODUCTION TO FRENCH LOCAL GOVERNMENT.
By Brian Chapman.
Allen and Unwin. 238 pages. 18s.

BETWEEN the wars the British public had fairly clear images of men like MM. Poincaré, Briand, Herriot and Blum as political personalities; French politics and the French constitution were standard university subjects beside the political machinery of the United States and the Commonwealth. The decline of France as a power seems to have lessened the general interest. Most British people who know about Republicans and Democrats, Adenauer and Ollenhauer, would now be hard put to it to give even a rough account of the six main French parties. France enfeebled is, however, just as important to us as it ever was, and perhaps even more so. Fortunately, Mrs Pickles and Mr Chapman have provided between them a very complete picture of French public life since the war. The two books make perfect companions, since Mr Chapman's clear presentation of local government helps to put in their right perspective many of the parliamentary troubles in Paris which Mrs Pickles discusses in other terms. Mr Chapman's book is the first postwar study of his subject in either English or French.

Mrs Pickles—probably because she has written of these times elsewhere—is at her weakest over the initial two years' period of provisional government. Surely no history of the Fourth Republic should begin with such undramatic references to the liberation, which meant, among other things, months of Communist control of whole regions of France. For instance, the author's "conservative figure" of 3,000 for those summarily shot by "popular tribunals" is misleading. No figure under 20,000 has ever gained credence in France and estimates go up to 90,000. In fact terroristic reprisals, the long-drawn-out *épuration* and the black market set a political tone which lasted well into 1948. Satirical works such as Marcel Aymé's *Uranus* and Jean Dutourd's *Au Bon Beurre* give a better idea of the early postwar years than any conventional record in terms of governments, legislation and party attitudes. The crucial

feature of France then was the near rout of the country's traditional *cadres* under Communist and Gaullist attack. Thus, while Mrs Pickles gives a useful account of nationalisation and economic reconstruction, the matter of fact style of interim history seems to prevent her from doing justice to the psychological background of careerism and profiteering.

The author is, however, admirable in her careful exposition of Indo-Chinese, North African and European problems in the section on the French union and foreign affairs. "The Pursuit of Europe" is surely the best description of French European diplomacy that has appeared, although it is curious that nothing should be said about Jean Monnet's role. M. Monnet has, since 1950, been the main exponent of France's European policy to the Americans and second only to M. Schuman in dealing with the German Federal Republic. His name should at least appear in the index.

M. Monnet's exercise of power behind the scenes is a commentary not only on parliamentary instability and governmental impotence, but also on the continuity of French administration. This last is very well exemplified by Mr Chapman in his chapters on the functions of prefects, the running of *départements* and the Ministry of the Interior. The Prefect's gubernatorial mastery of his current tasks is seen in simple contrast with the utter confusion of the National Assembly in face of it. As Mr Chapman remarks: "the slow and infuriatingly impersonal process suggested by the term centralisation is far from being an accurate picture of French local government." If the Centre does well in the localities, one can also say that the slow and infuriatingly personal proceedings of the parliament are largely due to the deputies' parochialism in Paris, and not to defects in the constitution.

Mrs Pickles draws up a balance sheet of the years 1946-52. This, in consonance with the author's method of allowing Frenchmen to speak for themselves, shows the large area of political disagreement and the inconclusiveness of what has been done in French eyes. But the two most definite facts about France are surely the very high birth rate and, at very long last, the end of postmortems about the war. The last development is hardly a year old, but it should presage better things in the Fourth Republic's near future.

Limits of Economic Liberty

FREEDOM THROUGH LAW.

By Robert L. Hale.
Columbia University Press (London: Geoffrey Cumberlege). 591 pages. 48s.

EVERY student of political theory knows, or ought to know, the story of the elderly gentleman who rebuked the young man for twirling his walking-stick on a crowded pavement. "It's a free country," said the offender. "Yes," said the old gentleman, "but your liberty ends where my nose begins."

Where, in a free country, the citizen's nose may best be held to begin is the great practical question explored, through a century and more of British and American legislation and case law, by the author of this book. It makes a fascinating story, sometimes difficult, but never impossible, for the non-legal reader to follow; the subtitle—"Public Control of Private Governing Power"—emphasises Professor Hale's dualistic view of freedom as the power to impose sanctions and the power to resist sanctions. This theme is pursued through chapters on economic inequality (the law protects property, property confers the right to impose sanctions, unequal property means unequal power, hence unequal freedom) on common-law adjustments of conflicting economic liberties, on constitutional aspects (primarily of interest to American readers, but suggestive and stimulating even to others) and on wage regulation, valuation, price control and taxation.

The proposition that legal interference with the terms of a "free" bargain may bring about an increase rather than a diminution in liberty has, no doubt, a less paradoxical flavour in this country than in the United States; it is all to the good that there should be a re-examination of the grounds on which, in a liberty-loving community, such interferences may be justified. This final section, however, suffers in comparison with the rest of the book by reason of an unfortunate and perhaps not entirely conscious attempt to combine the notion of economic liberty with that of the *justum pretium*. One wishes that Mr Hale had chosen instead to follow up the line of argument adumbrated earlier: that constraint is imposed when there exists no tolerable alternative to the pursuing of a given course of action, the accepting of given terms, the fulfilment of given conditions. Liberty is enhanced less by making the obligation to act, accept, fulfil less onerous than by ensuring (as does, for instance, a policy of full employment in the field of the wage bargain) the existence of a wide choice of tolerable alternatives. If social and economic conditions are such that Esau need only cross the road for a meal, there is no need to interfere with Jacob's freedom to set an unconscionable price on pottage—and the chances of an economically "right" price being reached will be much better.

Mr Hale is not unaware of the

importance of reaching the "right" price, but his discussion of its functions and conditions is, comparatively, jejune. There is need for much more work on this particular segment of the frontier between economics and political theory; and it is not the least of Mr Hale's achievements that study of his book makes that necessity so plain.

The Green Men

JUNGLE GREEN.
By Arthur Campbell.
Allen and Unwin. 214 pages. 12s. 6d.

DRESS a soldier in a dirty green uniform, festoon him with arms and equipment, and he becomes Number Two on the Bren instead of Private Atkins. As Major Campbell confesses, "it was only in the shape and set of their floppy jungle hats that the men's personalities showed." In his narrative he attempts as much to explain why some of these hats are crammed listlessly on the head while others are worn with a swagger as to give an impression of the fighting in the plantations and jungles of Malaya. Primarily, his ambition—a worthy one—is to describe the impact that this campaign of patience, ambush, fatigue and sickness had upon National Service conscripts.

It is not unfair to Major Campbell to say that this ambition is a little too much for him. He is, after all, a highly skilled regular soldier, not a trained professional writer. The failure comes when fact is dressed up as fiction. Not all the incidents in this book were experienced at first hand by Major Campbell; undoubtedly, in General Templer's word, these incidents are "authentic," but the same degree of authenticity can hardly be attributed to the individual characters in the story or to the conversations they hold. Although these snatches of conversation are picked out with appropriate, though suitably bowdlerised, adjectives, their general tone rings hollow. And in describing the campaign and the soldiers who fight in it, Major Campbell has not altogether avoided the trap of blending sentimentality with brutality. A straightforward chronicle of events may have been duller, but its impression would have been more lasting.

In spite of these faults, the book should be read. The flavour and horror of war in the jungle are there.

Young James

HENRY JAMES: *The Untried Years*, 1843-1870.
By Leon Edel.
Hart-Davis. 356 pages. 25s.

THIS is the first of three volumes to be devoted to the life of James, and the proposal seems to promise a return to the amplitude of nineteenth-century biography. But there is nothing Victorian about Mr Edel; if he breathes of a past era it is Freud's. Thus he tells

how James, in a list of likely names for fiction set down when he was fifty, included "Ledward" and then improvised several variants: Ledward-Bedward-Dedward-Deadward. For the novelist, clearly, to be led to the marriage bed was to be dead, and "Henry James accordingly chose the path of safety. He remained single."

Nor is the explanation of such caution far to seek. Mr Edel surveys James's early environment and pronounces succinctly, "On all sides strong-minded, firm-handed women swallowing up their men." This diagnosis may be accurate, or it may be a reading back into the James family of a characteristic of a later phase of American culture. At least it is somewhat conjectural, and what one finds oneself most greatly admiring in Mr Edel's masterly book may perhaps best be described as the speed and persuasiveness with which the writer gets his story going. Parents, aunts, brothers, cousins are all deftly given their roles, and in no time the drama is ready to unfold.

It is indeed not difficult to cast the elder Henry James in the part of an inadequate parent. Neurotic and finding precarious salubrity in one or another speculative moonshine, he was assuredly hard put to it at times as the head of a turbulent household sheltering (as it happened) two of the most powerful American minds of the next age. His wife, being unintellectual, probably found things easier to manage. But there is again something conjectural in Mr Edel's strongly-drawn sketch:

Before the little boy's observant eyes there was this ever-present picture of ambiguity and reversal of relation: a father strong, robust, manly, yet weak and feminine, soft and yielding, indulging his children at every turn; and a mother strong, firm, but irrational and contradictory.

If we would seek in the qualities of the elder Henry any light upon the achievements of the younger, there may be something to be said for one or two quite old-fashioned considerations. The elder Henry could write well, flashing out with the sort of precise image which the younger Henry mastered in maturity, as when he calls Carlyle "the same old sausage, fizzing and sputtering in his own grease." He could also be decidedly hard on the reader; his interpretations of Swedenborg, William Dean Howells declared, "which sentence by sentence were so brilliantly suggestive, had sometimes a collective opacity which the most resolute vision could not penetrate." But if these characteristics became the son's by inheritance, something else became his by reaction. Mr T. S. Eliot has written of James as possessing "a mind so fine that no idea could violate it." This almost baffling escape from ideas is the less surprising in the vastly talented son of one so discernibly bombinating in an ethico-philosophical inane as is the author of "Society the Redeemed Form of Man and the Earnest of God's Omnipotence in Human Nature."

The Active Brain

THE LIVING BRAIN.
By W. Grey Walter.
Duckworth. 216 pages. 15s.

IT is barely twenty-five years since Hans Berger first showed that the human brain's activity was accompanied by minute rhythmic changes in electrical potential that could be amplified and recorded. Since then the development of electro-encephalography has been rapid and intense, and the study of patterns of "brain-waves" has contributed vastly to the increasing knowledge of epilepsy and other disturbances of the brain's functions.

Dr Grey Walter has been a pioneer in this subject, not only in the invention of techniques but in the construction of a framework of new concepts into which all this fresh knowledge can be fitted. There will be many readers of this stimulating and brightly written book whose ignorance of electrical physics and of the language of electronics may be a handicap. But they should not be discouraged, for this ignorance need not deny them an understanding of the author's ideas of how the ten thousand million cells of the brain are organised. His style, however, is so taut and elliptical that his meaning is at times unnecessarily elusive.

Much brain activity, it seems, is organised in homeostatic mechanisms whose effect is to provide a constant milieu for the body and for the brain cells themselves. These "feed-back" mechanisms, of which the simplest model is the governor on a gramophone-motor, release higher levels of the human brain from menial tasks. After describing the evidence for an internal "scanning" mechanism, which he believes to be involved in the final stages of perception, the author goes on to explore the mechanism of learning. Here he helps his exposition by analysing the behaviour of some highly ingenious working models that he and others have constructed. These toys, which are relatively simple in their mechanism, mimic many of the features of human behaviour. Dr Grey Walter asserts that although much of their performance is calculable and inherent in their design, they can show forms of response to fresh situations which were unforeseen, but which are found to correspond with the responses of the human brain to similar experimental situations. These "goal seeking" models are to be sharply distinguished from the much more complex electronic computing machines that have captured the public's imagination as "mechanical brains." Dr Grey Walter's "tortoises" have a far better claim to this title.

Cerebral electrophysiology is contributing much to knowledge of such topics as memory, types of imagery, pleasure and displeasure, hallucinations, sleep and aggressive crime, and this book deserves to be widely read beyond the circles immediately concerned.

THE ECONOMIST, AUGUST 8, 1953

Italy's Case

ALCIDE DE GASPERI NELLA POLITICA ESTERA ITALIANA 1944-1953.
By Adstans.
Mondadori, Rome. 230 pages. 1,300 lire.

THE *nom-de-plume* of the author of this book conceals someone highly qualified to write about Signor De Gasperi, and it may be assumed that the book has the broad approval of its subject. It is an account of Signor De Gasperi's unique and dominant role in shaping Italy's foreign policy since the war. It is divided into three sections entitled "Shipwreck," "Italy's return" and "In the community of nations." At each stage in this expressive description of Italy's recovery, the journeys, many of the thoughts and some of the pronouncements of Signor De Gasperi and, until his death, of that close colleague, Count Sforza, are carefully set out. The presentation is direct, simple and telling—and by no means hard reading for a non-Italian.

There may be many views about the rightness or wrongness of Italy's treatment at the hands of the western allies in the closing years of the war and immediately afterwards. But the reactions, hopes and efforts of men like Signor De Gasperi and those who worked with him cannot fail to command respect. The author describes how characteristic it was in the early days for Signor De Gasperi, when returning from negotiations in London about the peace treaty, to be dumped in Marseilles for the night by the pilot of his American military aircraft without any warning or choice in the matter. There was nothing to do but to take the discomforts and indeed insults in one's stride. Signor De Gasperi, however, never let up for a moment in his determination to fight for his country's rights and to present its case. And, if the task has gradually become easier—though it is by no means finished—the reason lies largely in the persistent hard work, patient temper and shrewd political sense of this man who has surely been one of the greatest heads of government in modern Italian history. This book establishes the extent of his country's debt to him. It well deserves to be translated into English.

Modern Philosophy

LOGIC AND LANGUAGE. Second Series.
Edited by A. G. N. Flew.
Blackwell. 242 pages. 21s.

SOME modern philosophers think that philosophical problems are generated by the misleading use of language and can be clarified or dispelled by careful attention to the ways in which ordinary people speak. This collection of articles is the second of a series claiming to exemplify their work. Nine of them have been published before in philosophical journals; three of them are here made generally available for the first time.

Philosophers dispute about nothing so hotly as about what philosophy is, and much controversy has centred upon the conception of philosophy here presented to the general public. Its devotees defend their account of what they are doing with the pained acerbity and ingenuity of any initiate who tries to get the blundering and the simple-minded to see the light. They even claim that the great philosophers of the past have really been exploring the grammar of their language, though at times they knew it not. The critics of the movement maintain that no philosophical problems have been or will be solved by a study of ordinary language. Why should philosophers, of all people, be so infected by the twentieth century cult of the common man that they should explore the ways in which he speaks? Bertrand Russell, in a recent article, went so far as to maintain that this view of philosophy is insincere, that it is capable of excusing ignorance of mathematics, physics and neurology in those who have had only a classical education and that it makes philosophy trivial.

A great many philosophers, however, are bored by discussions of the ideology of the movement and prefer to concentrate on the problems to be solved rather than on recipes for their solution. And this is a suitable frame of mind in which to approach this collection of articles. For, just as in the first series there were essays like J. Wisdom's "Gods" or F. Waismann's "Verifiability" or M. MacDonald's "The Language of Political Theory," whose intrinsic interest rendered the ideological introduction almost irrelevant, so this volume too contains many outstanding examples of philosophy at its best. It includes, for instance, G. E. Moore's classic on "Is Existence A Predicate?" and J. L. Austin's "Other Minds," which has proved almost a landmark in the discussion of this problem. G. J. Warnock's "Every Event Has A Cause," and D. F. Pears' "Universals," treat traditional problems with exemplary clarity, and F. Waismann's "Language Strata" gives a second instalment of the fascinating tale introduced in the first volume. More technical tastes are catered for by D. Gasking's "Mathematics and the World," and J. C. Smart's "Theory Construction," and in "Historical Explanation" A. M. MacIver deals competently with theories of history. What relation many of these articles bear to the professed ideology of the movement it is difficult to see; but they are admirable examples of philosophy.

The book is therefore to be thoroughly recommended as containing examples of modern treatment of traditional philosophical problems, though the reader should approach the ideological introduction with the same scepticism as he approaches a conjuror's patter. The writers deliver the goods, but perhaps in spite of rather than because of a study of the peculiarities of the English language.

Towards European Unity

L'EUROPE EN FACE DE SON DESTIN.
By Edouard Bonnefous.
Presses Universitaires de France. 386 pages. 900 francs.

THE title of this book is misleading. M. Bonnefous has written not an analysis of Europe's position *vis-à-vis* the rest of the world, but a work of reference outlining the development—until the autumn of 1952—of the movement toward European unity.

The first two chapters entitled "European Thought" and "The Historic Origins of Europe" are somewhat superficial. But those that deal with the plans to achieve European unity until 1939, ranging from Dubois (whose work "*De Recuperatione Terre Sancte*" needs a new critical edition) to Count Coudenhove-Kalergi, are happier. The core of the book is an account of events since 1945. Stress is rightly laid upon the links with the Resistance movements, and the importance of the voluntary movements in forcing governments to create the Council of Europe is fairly judged. The drafting of that organisation's statute is dealt with in detail. It clearly emerges from this that six Governments regarded it as only a first step, rapidly to be developed into a federal organisation, whereas the nine others considered they had made therein the maximum concessions possible. The story of the Council of Europe during the past four years has been the working out of this contradiction.

The way in which the story is told depends upon the personal position of the author. M. Bonnefous regards it as "*l'ère des déceptions strasbourgeoises*." If one shared this viewpoint, the logic of the Council of Europe is now to be found in the European Coal and Steel Community, the European Defence Community, and the new project for a political community. But even if this premise is accepted, the frequent criticisms made of Britain's attitude, as wrecking Europe's last chance of remaining a great power along with its own, look suspiciously like seeking a scapegoat to cover continental irresolution. In the first edition, published in 1950, the author despised the idea of Europe becoming "at most a regional unit in the Atlantic system." In 1953, he writes "the realisation of an Atlantic Community becomes more urgent than that of a united Europe." But it simply will not do to export European failure to solve its problems to the Atlantic level. Continental politicians who pretend otherwise are guilty of deliberate escapism, because they know that their people will never support the concept of Atlantic unity until it is built not on satellites but on self-respect.

The author's narrative does not answer the problems it raises. But because it is the most up-to-date narrative that exists, it should be read.

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.

Congress Marks Time

Washington, D.C.

THE final days of a congressional session are always days of emotional strain. The first session of Mr Eisenhower's first Congress has been no exception. Its end was marked by the traditional condition of frenzy, with tempers short, political positions confused, and the usual tendency to make mistakes—the cut in aid to Indo-China, for instance—and to repair them, both with startling and unconsidered rapidity. But this year there were additional harassments: the Administration's last-minute effort to persuade Congress to raise the ceiling on the national debt, and the deep shock and sorrow at the death of Senator Taft.

The final agonies over the rising national debt were striking evidence that Congress had failed to realise in one session the Republican dream of destroying the towering structure of "big government." But the Administration has moved towards the achievement which the President claimed for it in June when he said:

Most important, we have instituted what amounts almost to a revolution in Federal Government. . . . We have set about making it smaller rather than bigger . . . finding things it can stop doing rather than new things for it to do.

And Congress has played a part in this process by cutting appropriations for government activities, often below the levels requested by Mr Eisenhower, and always below those suggested by Mr Truman just before he left the White House. In some fields, such as public housing, these cuts do reduce the government's activities almost to the vanishing point.

But Congress has not yet had its chance to attempt a comprehensive reduction of the functions of the federal government. Perhaps the opportunity will come when the new Hoover Commission, headed by the only living Republican ex-President and manned, with the single exception of Representative Chet Hollifield of California, by recognised enemies of "big government," makes its reports. The Commission has only just been appointed. Its scope is to be infinitely greater than that of the previous Hoover Commission: while this was limited to investigating means of improving the efficiency of the government, its successor is instructed to find the "non-essential services, functions and activities" of the federal government which can be weeded out. But many a month will go by and many an enemy of "creeping socialism" will confront many a foe of the "special interests," before the commission's labours are completed and Congress gets a chance to act on its recommendations.

Reasons are not far to seek for the failure of the Eighty-third Congress to work great changes. The split within the Republican party and the newly acquired unity, on the surface, at least, of the Democrats have perpetuated the legislative stalemate which has dominated the postwar years. Right-wing Republicans have been heard to speak nostalgically of the days when they could at least express their disgust with the progress of things in Washington by cursing the Administration and "that man in the White House" to their constituents.

Now, when taxes are not cut, when foreign aid keeps flowing, and the State Department obstinately refuses to disappear from the face of the earth, the conservative Republican raises his voice in protest only with the sickening realisation that he is thereby weakening the front which his party, with its wafer-thin majorities in Congress, presents to the opposition. Moreover, no newspaper-reading member of Congress can avoid the frequent reminder that, while General Eisenhower won a personal majority in 297 of the country's 435 congressional districts, Republican Representatives were elected in only 221.

★

When Congress meets again in 1954, awareness of the President's popularity will be heightened by the approach of the congressional elections which take place in the autumn. This may mean that Mr Eisenhower, unlike Mr Truman, will have greater control over his own party during his second year than he has had in his first. Mr Truman's troubles were caused chiefly by Southern Democrats, to whom the President's approval, far from being a political blessing, was a positive handicap with their constituents, because of Mr Truman's espousal of civil rights for Negroes. It would almost be true to say that the nearer an election came, the less likely were the Southern Democrats to co-operate with their President.

Mr Eisenhower, on the other hand, enjoys the incalculable advantage of having found the formula for victory, the political magic touch for the lack of which the Republicans spent so many unhappy years as a minority party. Against this must now be set the loss suffered by the Administration through the death of Senator Taft. By a tragic historical irony, the President finds his power in Congress seriously weakened by the removal from the scene of his erstwhile rival for the Presidency. Mr Taft, with his ability, his influence, and his loyalty, will remain irreplaceable.

This session of Congress not only failed to dismantle

the governmental structure erected under the New Deal and the Fair Deal; it also passed few of those measures on the Administration's original list of essential legislation that involved departures from existing policy. Hawaiian statehood and amendment of the Taft-Hartley Act fell by the wayside. The major exception was the "return" of the tidelands oil reserves to the individual states, and the importance of this has probably been exaggerated. It may be invalidated by the Supreme Court. Furthermore, the bulk of the mineral wealth in question lies beyond the states' seaward boundaries, and legislation has quietly been passed to arrange for federal control of these resources of the continental shelf. For the rest, what has been accomplished has involved either the simple continuation of previous policies, such as the reciprocal trade agreements programme, or an extension of a principle already in operation, as in the case of the President's schemes to reorganise the federal government.

It is easy to minimise such a record, and the Democrats are doing so with relish. However, recent Congresses controlled by the Democrats have not done a great deal better. It is clear that there is not, at present, a majority for an all-out attack on the welfare state, in so far as it now exists; nor is there a majority for substantial additions to it. Similarly, in the field of foreign affairs, while there is no majority to back a wholesale departure from the policies of Mr Truman and Mr Acheson, neither is there any longer a really firm majority in favour of continued moderation, foreign aid, conciliation of allies, and containment.

★

The policy of inaction, of maintaining the *status quo*, is entirely feasible in domestic affairs, at least as long as prosperity continues; indeed, it has been followed now for some years. But it simply will not do in foreign relations, where the problems refuse to stand still, and where policy, whatever Mr Dulles may pretend in public to think, must be a matter of give-and-take with other countries. The willingness of members of Congress to leave full authority—and responsibility—for the Korean settlement in the hands of the President is, in a way, a reflection of the fact that no single, coherent foreign policy any longer commands a congressional majority. It is noticeable that Senator Knowland and the other congressional representatives, who were to have accompanied Mr Dulles to Korea in order that he should be assured of congressional support, have made no attempt to follow him even though in the end Congress adjourned in time for them to have joined him almost before the negotiations with Mr Rhee had begun.

This situation troubles the congressional Republicans. But at least it has been shown that there was a certain element of truth in the rather despairing argument so much in vogue last year—that General Eisenhower would be better able than any Democrat to fend off the attempts of an irresponsible minority to substitute chaos for what is now mere inaction. After a session marked by such threats to sanity as the efforts to pass the Bricker Amendment, which would restrict the President's treaty-making powers, and the Simpson Bill, which would have undermined the reciprocal trade programme, it is clear that there is some virtue in managing to keep the isolationist Samson from pulling down upon himself and the world the temple of a reasonable American foreign policy.

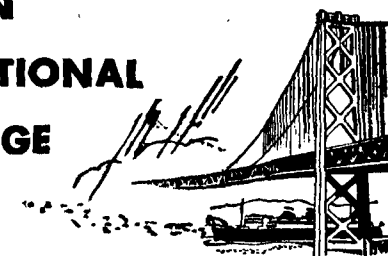
American Notes

Republicans without Taft

THE Republican policy committee lost no time, after Senator Taft's state funeral, in confirming Senator Knowland, Mr Taft's own choice, as Senate majority leader. Mr Knowland, the senior but still youthful Senator from California, has been acting leader since Mr Taft first fell ill. To delay his appointment would have played into the hands of the little group of right wing extremists who oppose the President at every turn and suspect that Senator Knowland can be counted upon to do the opposite—except, perhaps, where the Far East is concerned. Senator Ferguson takes over Mr Knowland's job as chairman of the Republican policy committee.

Six months ago the Administration would have preferred Senator Knowland to Senator Taft, as a more pliable and congenial man to deal with. But after Senator Taft's demonstration of how tirelessly and selflessly he could work for party unity, despite the bitter frustration of his own ambitions, no one imagines that the untried and inexperienced Mr Knowland will be able to fill Mr Taft's

AN INTERNATIONAL BRIDGE



The Hanover Bank, with its many years' experience and its correspondent banks on every continent, serves as an international financial bridge for firms engaged in foreign trade.



THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E. C. 2

NEW YORK . . . 70 Broadway

shoes. The new leader's problem will be to keep in line, not so much the party's wild men, as the much larger group of orthodox Republicans who regarded Senator Taft as their natural leader and were prepared to follow him, however grudgingly, into the President's internationalist and moderate camp. The President and his Republican Congress were fortunate to have Senator Taft to act as counsellor and peace-maker for their first session in power. Next year the President will have to fight his own battles and, lacking Senator Taft, may be compelled to rely even more than he has on Democratic votes.

★

Senator Taft's death might have cost the Republicans not only their most trusted congressional leader, but also their control of the Senate. The death of Senator Tobey, a fortnight ago, will mean no change, for the Governor of New Hampshire, who has the power to appoint a successor, is Republican, too. But this would leave the Senate, with Senator Taft's seat vacant, with 47 Republicans, 47 Democrats, and one independent, Mr Morse, who deserted the Republicans during the campaign to support Mr Stevenson. If Mr Lausche, the Democratic Governor of Ohio, were to play true to party form and nominate a Democrat to serve in Senator Taft's place until 1954, and Senator Morse were to take his revenge upon the Republicans who have cold-shouldered him, the Democrats might find themselves in the unexpected and not altogether welcome position of controlling the Senate and sharing responsibility.

But both Mr Lausche and Senator Morse are unpredictable. Mr Morse, though he held up the adjournment of the Senate by a tirade against the Republicans' "Cadillac crusade" has announced he will vote Republican when control and the committee chairmanships are at stake. Mr Nixon, the Vice-President and presiding officer of the Senate, would then be able to use his casting vote in the Republicans' favour. And Mr Lausche, though he may not go so far as to appoint a Republican, seems disinclined to fill Senator Taft's place with a partisan Democrat who would add to the President's difficulties.

MUTUAL SECURITY APPROPRIATIONS

(For fiscal year ending June 30, 1954; \$ millions, rounded figures)

Figures in left-hand columns are of new money just appropriated for the first time; italicised figures in right-hand columns are of uncommitted balances carried over from previous appropriations and now reappropriated.

	Europe		Near East and Africa		Asia and Pacific		American Republics		Totals	
Military assistance	1,860	<i>1,312</i>	270	<i>313</i>	1,035	<i>257</i>	15	<i>61</i>	3,180	<i>1,932</i>
Mutual defence financing ⁽¹⁾	390	<i>116</i>	...	...	484	<i>18</i>	...	...	874	<i>134</i>
Technical assistance	...	...	33	<i>1</i>	51	<i>11</i>	...	...	106	<i>12</i>
Special economic assistance ⁽²⁾	...	...	147	<i>44</i>	75	...	...	...	222	<i>44</i>
TOTALS by areas	2,250	<i>1,428</i>	450	<i>358</i>	1,645	<i>286</i>	37	<i>61</i>	...	...
Multilateral organisations:										
Movement of Migrants									8	
Technical co-operation									10	
International Children's Emergency Fund									10	
UN Korean Reconstruction									51	
Basic Materials Development									19	
Mutual Special Weapons									50	
TOTALS									4,530	<i>2,122</i>

⁽¹⁾ Includes special funds for manufacturing arms in France and the United Kingdom (\$85 million each) and for support for Indo-China (\$400 million).

⁽²⁾ Mainly for Arab States, Israel, Iran, Pakistan and India; balance carried over is for Palestine refugees.

Reprieve for Foreign Aid

PRESIDENT EISENHOWER made more impression on the Senate than he had on the House when he pointed out the danger of cutting the foreign aid programme's throat for the sake of economy. The House had provided nearly 20 per cent less than the amount that the President considered to be the "honest minimum" needed; much of the reduction came from money which had been appropriated in earlier years but had not yet been committed and for which reappropriations had been requested. The Senate, however, complied with this request and took rather less than had the House from this year's new money; in conference only a token concession was made to the House's parsimony. In the end \$6.6 billion—\$4.5 billion in new money, \$700 million less than had been authorised, and \$2.1 billion in reappropriated funds—was handed over for the current fiscal year to the Foreign Operations Administration, the new co-ordinating agency which is to be headed by Mr Harold Stassen, the Director of the old Mutual Security Agency.

This sum, in the Administration's view, will be enough to "get along with," as indeed it will have to be. The cuts came mainly from military aid for Europe, for the Senate repaired most of the damage which the House had done to technical assistance, Point Four's present name, and to the various international relief organisations. But it was the Senate itself that nearly sabotaged the scheme for special help to enable France to carry on the war in Indo-China, by trying to cut \$100 million off the \$400 million intended for this purpose; this makes up nearly half of the funds for "mutual defence financing," the latest name for what was "defence support" last year, and straightforward "economic aid" before that. Senator McCarthy's attempt to make any nation that traded with Communist China pay for its temerity with its dollar aid was defeated, but France has been told that it must end discrimination against American commercial interests in Morocco.

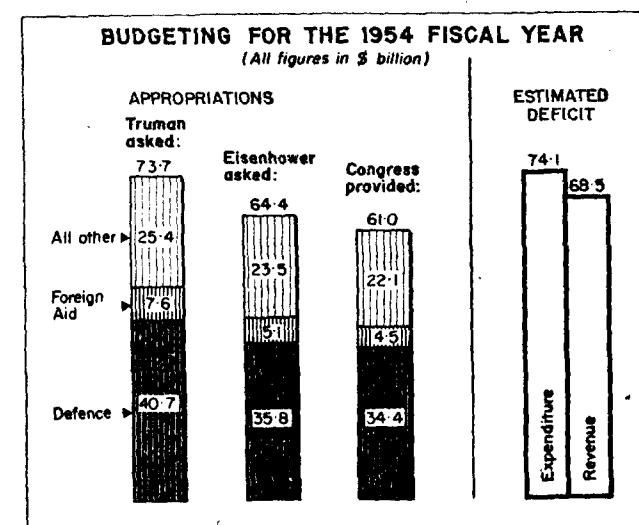
America's surplus farm products are to be bought with

\$100 million of the funds; this is in addition to the \$100 million worth of these surplus products which the President has been authorised to give away to "friendly peoples" as he had already done to the East Germans. Another scheme which supplements the official foreign aid programme is that for rehabilitating Korea; this is separate from the United Nations reconstruction project to which the United States is contributing through the mutual security appropriation. So far an initial \$200 million has been provided for this Korean rehabilitation, but it is realised that much more will be needed, probably more than will be saved on military expenditure by the ending of hostilities. It is a pity that congressional fears that American soldiers might be used for "forced labour" have nipped in the bud Mr Dulles's imaginative suggestion that, with the help both of this money and of the occupation forces, South Korea might be turned into a "showcase for democracy."

Playing Politics with the Debt

THE Administration does not appear to be concerned at either Congress's reduction of \$1.4 billion in the funds asked for the armed services or at the less substantial cuts which were made in other Appropriation Bills. But it would hardly have welcomed the deeper cuts which might have been encouraged if the request for an increase in the permitted level of the national debt, from \$275 billion to \$290 billion, had been received before Congress had com-

pleted work on these Bills. Nevertheless, it seems a little weak to maintain, as did the Secretary of the Treasury, Mr Humphrey, that he had waited to make the request until he could judge from the amounts appropriated whether the increase would actually be necessary. For he also



admitted that it had been obvious since last May that sooner or later the ceiling on the debt would have to be raised; in any case, it is not this year's appropriations that are building up the debt, but the \$81 billion worth of commitments under earlier appropriations which the previous Administration bequeathed to its successor.

Buying in America...

the **IRS*** way!

IRS has the proven ability to gather, evaluate, report and make the best use of information in all markets.

IRS function is to help retailers sell more goods faster, better, more economically.

IRS member stores include 100 Independent Department Stores in America, and also representative retail organizations in various parts of the world. Each is the leading merchant of its city and trading area. Member stores retail volume exceeds \$500,000,000.

IRS maintains a permanent staff of 186 market specialists, under the leadership of six seasoned and retail-wise firm members.

IRS invites European retailers to discuss American market representation, and exchange of pertinent retail information.

Selling to America...

the **IRS*** way!

IRS is constantly on the lookout for good quality competitive European consumer goods (new or established products) that can be promoted into "best sellers" among IRS member stores.

IRS buys directly for its member stores, bringing import merchandise speedily and effectively to the American consumer.

IRS should be contacted by you, if you have a good consumer product and seek a direct and dynamic way to sell American Department Stores.



Independent Retailers Syndicate —
an American buying office servicing
retailers on a world wide basis.



BERNARD G. COHN, President

**INDEPENDENT RETAILERS
SYNDICATE, INC.**

33 WEST 34th STREET, NEW YORK 1, NEW YORK

There is therefore some justification for thinking that the Administration hoped, by delaying until the last possible moment, to be able to force its controversial request quietly and quickly through a Congress that was longing to go home. However, it was Congress's desire to get away that permitted the Democrats to kill off the Administration's request in the Senate committee, and to win a substantial political victory over the President. For he will probably now have either to call a special session of Congress in the autumn to deal with the matter or, more likely, to repeat his request next year, just before the congressional elections. In either case Democratic candidates will enjoy pointing out that an Administration which promised to balance the budget has, in fact, had to increase the debt.

Meanwhile the Treasury must do its best to avoid going through the ceiling. Senator Byrd insisted that this could be done by strict economy and by running down the government's cash balances, which are usually kept at about \$6 billion. Mr Humphrey, however, felt that this would be risky with no additional borrowing power to fall back on, since estimates of tax receipts during the next five months might not be fulfilled, and the government might therefore find itself unable to pay its bills. The decision on whether a special session of Congress must be called will apparently be made when the yield of the September tax collections can be assessed. The present difficulty, which seems almost certain to be repeated at the same time next year, arises from the system under which taxes are paid chiefly during the first six months of the calendar year. This means that between now and Christmas government spending must be met largely by loans. With the effective

level of the national debt at \$272 billion, the Treasury has only \$3 billion of borrowing authority in hand, and it expects to need an extra \$5 billion before the heavy tax-paying season begins in the new year.

Give and Take on Trade

THE President has succeeded in obtaining a year's extension of the Reciprocal Trade Agreements Act and, with it, authority to appoint a bipartisan commission to examine the whole field of international trade and make recommendations on policy. At the eleventh hour the House conferees gave up their demand, which was causing the deadlock, that a seventh member should be added to the Tariff Commission. The Democrats had made it clear that they were prepared to let the Act expire rather than open the door to a Republican, and possibly protectionist, majority on a commission which has always been bipartisan. The victory, however, had its price: the appointment, by the President, of a second advocate of high tariffs to a commission whose main task, in a year when no new trade negotiations are expected, is to review past concessions to determine whether applications for relief are justified.

It was the complaint that an evenly divided commission was incapable of coming to decisions except after long delays which prompted the President originally to accept the idea of adding a seventh member, something he has since repented of. Congress has recognised this grievance, however, by requiring the commission to report on applications for relief within nine months, rather than a year, and by providing that if the six-man commission is evenly split on an escape clause case, the President must decide. In the past, rejection would have been automatic.

The passage of the customs simplification Bill is also more of a token than a real triumph for the liberal trade policies the President has supported. The Senate version, which prevailed, eliminates the heart of the House Bill: the provision that, in determining dutiable value, the export price should be taken. At present, customs officials use the export price or the price at which the article is sold in its country of origin, whichever is higher. American importers, consequently, are likely to lose, for the purposes of duty, the advantage of bulk buying. Delays in determining the appropriate valuation are notoriously long. The Senate also refused to consider, on the ground that it, too, was controversial (that is, might reduce duties) and would need long hearings, the House's simplification of the methods of fixing foreign currency values.

The Senate's timidity has been a blow to foreign traders, who, while they are grateful for the Bill's minor relaxations, had hoped for a substantial stimulus to trade. Hope is not dead, however; the House has passed a separate Bill, embodying its valuation reforms, ready for Senate action next year. It is plain, however, from this year's indecisive give and take, that, if the balance next year is to be decisively tilted in favour of freer trade, the President will have to appoint a strong trade commission and be prepared to back it up.

The World Overseas

Turn of the Tide in Pakistan

FROM OUR CORRESPONDENT IN KARACHI

IT is perhaps too early to say positively that the tide has turned in Pakistan, but it is at the end of the ebb, the shoals are fully exposed, and the government now seems to have a clear idea of what it is doing and where it is going. Last week's welcome announcement of a British loan of £10 million for the purchase of capital goods to increase food production will help it along its way. But it is above all the American gift of a million tons of wheat—700,000 tons to be shipped at once and the remainder to be kept in reserve—that has averted an otherwise inevitable catastrophe and done much to transform Pakistan's economic outlook. In his broadcast last weekend, Mr Mahomed Ali spoke of the way in which the American gift had dissipated "the feeling of anxiety and tension due to fear of famine and distress." Not only has America's great act of generosity freed Pakistan's all too slender reserves of foreign exchange from being earmarked mainly for further imports of food-grains; it will also call into being a huge fund for development, consisting of the rupee sale proceeds of the wheat in Pakistan. If the wheat had been granted as a loan the country's dollar earnings for many years to come would have been absorbed by the service of the loan; this would have retarded development and would, among other things, have made it impossible for the government to consider taking another dollar loan from the World Bank. As it is, the Pakistan government has been able to decide that it can now safely go ahead with all approved development projects.

The next few years will therefore witness a marked spurt in industrial and agricultural progress, and a high level of business activity and employment. Admittedly, foreign exchange still constitutes a difficult problem, and for its external finance the government will have to rely to a large extent on various forms of foreign aid. But an immense amount of help in various fields has been, and is being received; and no really sound development project need be held up for want of foreign exchange.

Yet, rather paradoxically, the current flaws in the economic situation all derive from the fact that there is insufficient foreign exchange available for day-to-day requirements. Pakistan can import its requirements of generators, but not of toilet requisites; it has been helped to swallow the camels but still has to strain at the gnats. The deficit in the balance of payments in the second half of 1952 amounted to Rs 47.72 crores, and by the end of the year the gold, dollar and sterling reserves had dropped to Rs 60.61 crores. This was barely more than the statutory minimum required for the currency backing. In the first quarter of 1953 there was a small surplus of Rs 5.46 crores

and, though no figures have yet been published, it is understood that the improvement was continued in the second quarter. But it is not yet good enough, considering that during the half-year imports, especially of consumer goods, were reduced to a trickle by stringent measures of control, and the country cannot subsist indefinitely without imports.

The absence of a backlog of commercial commitments and the removal of the incubus of foodgrain imports should result in a marked improvement in the current half-year. There is, however, little hope of any marked expansion in export earnings. Jute will almost certainly fetch better prices, but this is mainly because the jute acreage has been reduced by about 50 per cent, as a precaution against over-production, so the aggregate earnings will be no larger. Cotton should have a reasonably good year, since the present low prices are fairly attractive to overseas buyers and the season will begin in September with no more than a nominal carryover; moreover, the Japanese, under the recent trade agreement, are pledged to take up 6½ lakhs of bales which represents roughly half the quantity likely to be available for export.

Starved of Consumer Goods

There is little hope that the import policy can be liberalised before the middle of next year. Not only is the government anxious to build up some reserves of foreign exchange but it is determined to cater for the requirements of industrialists at all costs. The public therefore must be prepared to remain starved of consumer goods for some time to come. Herein, now that the country is no longer in the red with its external balances, lies the chief immediate threat to economic stability. Between May, 1952, and May, 1953, the working class cost of living index has risen by twelve points. It should, however, be remembered that this was chiefly due to the rise in the cost of foodstuffs and the sale of American wheat at concession prices has already brought this down. Imported goods of all kinds, however, are rapidly acquiring a scarcity value which defies all efforts at price control. The obvious remedy, increased imports, is the one that cannot yet be adopted. The other remedy, increased domestic production, is one which is greatly exercising the government. So far as the middle classes, with their higher standard of living and more varied requirements, are concerned, this is a long-term remedy, and they must expect to undergo real hardships for the next few years until industrialisation has advanced considerably; but the essential needs of about 90 per cent of the population

THE First SINCE 1784

The United States had only just become a sovereign power when in 1784 the First National Bank of Boston was founded. The bank has grown with the country—indeed helped the country to grow—and maintains important branches in Argentina, Brazil and Cuba as well as a wholly-owned foreign banking affiliate in New York City.



America's oldest chartered bank offers traditionally courteous and comprehensive financial service to bankers and concerns engaged in overseas trade with North and South America.

The FIRST NATIONAL BANK of BOSTON

Head Office: BOSTON MASSACHUSETTS • In New York: FIRST OF BOSTON INTERNATIONAL CORPORATION, 2 WALL STREET • Overseas Branches: ARGENTINA • BRAZIL • CUBA
Special Representative in Europe:
146 LEADENHALL STREET • LONDON

INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.

are mainly food and cotton cloth, and production of these can be and is being rapidly expanded.

Given reasonable luck with the monsoon, the goal of self-sufficiency in foodgrains can be achieved almost immediately. Various short-term measures are being actively carried out, while the long-term prospects of food production stand to be greatly improved by vast new irrigation schemes. In Sind, the Lower Sind barrage should be completed by May, 1954, and this will provide an assured water supply for 2½ million acres of land. Preliminary work is also starting on the equally important Upper Sind barrage at Guddu. In the Punjab, the Thal irrigation schemes are nearing completion; and work has also started on the Taunsa barrage, which will provide for the irrigation of nearly 1½ million acres. In East Pakistan, the Ganges-Kobadak development project will, in course of time, increase the yield of foodgrains by 700,000 tons annually. Several similar schemes of lesser importance are also in hand.

It is claimed that Pakistan is now at a stage of transition from an agricultural to an industrial economy. This is true up to a point, though the food shortage has served to underline the fact that agriculture must come first. The programme of industrial development is quite impressive and, on the whole, soundly conceived. In five years' time the country should be self-sufficient in cotton manufactures, sugar, fertilisers and cement, and should be nearly self-sufficient in paper production; these are some of the main items which at present eat up so much foreign exchange. Even more important, Pakistan should be a substantial exporter of jute manufactures.

The Public Starts Investing

It is a happy feature of the present psychology of the country that the public are at last becoming investment-minded. The response to recent flotations, by both foreign and Pakistani interests, has been almost overwhelming, whereas two or three years ago the public would not look at industrial investment at any price. This is due first, to the substantial taxational concessions granted to industrial investment in the past two years; and secondly, to the fact that the monied classes have been forcibly made to realise that the import and export trades no longer offer easy money and that the industrial type of business activity is more likely to yield a good return.

On the face of it the industrialisation of the country has a bright future, but the labour situation is causing some anxiety. Supplies of unskilled labour are limitless and, left to itself, it would be only too anxious to do an honest day's work and earn a decent livelihood. Unfortunately, however, a class of professional labour leaders has grown up—mostly consisting of briefless lawyers with no true connection with industry or knowledge of the subject—who find this a fruitful field for political advancement and personal profit. They outlive each other in encouraging the labour unions to make the most extravagant demands for such things as free housing, free medical aid, and holidays with pay. It is clear that unless the government take a very firm line in this matter the Finance Minister's slogan of "production, more production, and yet more production" will be made to sound ridiculous. It is understood, however, that the labour policy of the government is to be based on the recommendations of a team of International Labour Office experts, and that the report of this body, which has now been submitted, has taken a sensible line.

Problems for Mr Holland

FROM OUR WELLINGTON CORRESPONDENT

NEW ZEALAND has not only succeeded in fulfilling its undertaking to the 1952 Commonwealth Finance Ministers' Conference that it would reach a surplus of £25 million with the non-sterling area by the end of June, 1953, but it has exceeded that target by £9,700,000. It has also achieved an overall surplus in its balance of overseas payments for 1952-53 of £34,700,000. In the preceding year it had a deficit in this field of £51,300,000.

This considerable achievement has been accomplished largely because wool prices have remained higher than was anticipated, and because the government reinstituted import control in the form of currency rationing and continued import licensing very strictly in the non-sterling area. There is little doubt that the controls need not have been so tight had the government and the Reserve Bank perceived the dangerous implications of New Zealand's 1951-52 import spending spree earlier than they did. The immediate result of the application of currency rationing was to upset the commercial community considerably. It has now largely recovered, but the experience has left behind it some unhappy memories and some prejudice against the government. Moreover, the compulsory reductions in New Zealand's imports struck particularly sharply against the United Kingdom at a time when many other British markets were being restricted. New Zealand emerged from the last trading year with a surplus of £21 million with Britain, but it is generally admitted that it would have been more satisfactory had the economies been effected at someone else's expense.

Another qualification is the serious lack of balance in New Zealand's trade with Australia during the period. New Zealand has accumulated trading deficits with its nearest neighbour for many years, but during 1952-53 the deficit reached the very high figure of £23 million. The fact that about £8 million of this had to be spent upon buying Australian wheat and potatoes is not a matter which a primary producing country like New Zealand can regard with any satisfaction. New Zealand's wheat yield is steadily dropping, mainly because farmers argue that the domestic prices fixed by the government are inadequate and because they find that land previously used for growing wheat shows a better return for less effort if it is turned over to grazing.

£100 A Head in Taxes

The announcement of these overseas surpluses is not an unqualified testimonial for the government, as they have revived demands for tax reductions and for a relaxation of the import restrictions. Official figures recently published show that New Zealand's taxation is now running at an annual rate of just under £100 a head, of which something over £22 is being taken for social security and health services. Just before these figures were released, the Attorney-General, Mr Webb, making a surprising foray into the preserves of his colleague, the Associate Minister of Finance, warned the public that there was little prospect of tax relief in the coming budget. The announcement had a frigid reception and at a subsequent caucus of the government party, some backbencher members holding marginal seats expressed misgivings about its effects.

These representations may well demand some attention

from Mr Holland when he returns early this month, for there is no doubt that his party has lost some political ground and that something is necessary to restore its stocks. One of the election slogans of the National Party was the rather rash claim—rash in the light of the economic conditions then prevailing—that it would make the pound go further. The pound has noticeably failed to respond to this electoral urging and this fact, together with the continuing effects of inflation and the high level of taxation, has put an important section of the electorate—the medium wage-earner—in a restive mood.

Moreover, during the same excursion into finance on which he announced that there were poor prospects of tax relief, Mr Webb gave a broad hint that the government intended to increase Reserve Bank credit to finance part of its large works programme. Investors who had just contributed a substantial part of the £20 million national development loan raised for this purpose, could not be expected to regard this prospect with pleasure. Moreover, one of the planks of the National Party was to curtail the use of Reserve Bank credit and it is now being sharply reminded of this by a number of its supporters.

Mr Holland will also have to do something to restore his own personal stock. His party, when in opposition, made a considerable clamour about the amount of overseas travelling by Labour ministers and promised, in the care-free manner so often adopted by oppositions, that when it returned to power it would do something to check overseas touring. In practice, it has done very little and it is now being asked why. There was no cavilling about Mr Holland's decision to go to London to represent New Zealand at the Coronation and to take two of his ministers and the Leader of the Opposition with him; but there is a tendency in certain quarters to ask why it has been necessary for the Prime Minister to extend his visit to a number of continental countries.

The financial accounts for 1952-53 showed that receipts had exceeded the budget estimates by some £8 million. One of the largest items contributing to this was an increase of £2,700,000 in the return from sales tax. This undoubtedly demonstrates the buoyancy of business, but it also provides an opportunity for the advocates of tax reduction to urge the government to do something to check the rise in retail prices. In short, Mr Holland is returning to a country which, despite its evident prosperity, has a number of grievances, real and imaginary.

Is all Quiet in Warsaw?

DURING the five stormy months since Stalin's death pugnacious Poland, strangely enough, has shown less signs of unrest than other countries within the Soviet orbit. So far in this transitional period the Polish leaders have managed to avoid panicky moves, and reports that the Berlin rising in June aroused echoes in Poland have not been confirmed. The Polish leaders did not, like the Hungarians, hastily criticise the too rapid tempo of industrialisation; nor did they, like the Czechs, countermand recent orders of the party or admit errors made in the drive to collectivise the peasants. Indeed, outwardly at least, the Polish scene has looked as if nothing happened on March 5th. It still seems more Stalinist than the Kremlin: the chorus praises the dead leader as usual, while President

Bierut occupies the centre of the stage in a manner that disregards Moscow's new rule of collective leadership. The reaction to Stalin's death may have been only delayed, but it is also possible that caution in the first stage will soften future shocks.

Polish Communists have learnt by bitter experience that it does not pay to get involved in Moscow's quarrels. The present leaders were only second or third rate figures in the party before the war, and have come to the top only because their elders and teachers—the élite of the Polish Communist party—had been exterminated in Russia during the purges of the thirties. This may explain their reluctance to stage, on their own, trials on the Moscow model. While Kostov was tried in Bulgaria and Rajk in Hungary, while more recently Slansky was sentenced to death in Prague, the former general secretary of the Polish party, Wladyslaw Gomulka, disgraced five years ago, has never been brought into the dock. After Stalin's death the Polish government behaved as if it had little faith in the permanence of the new mood that showed itself in Moscow. Now, after Beria's fall, it is trying to avoid getting entangled in the Kremlin tug-of-war.

Thus President Bierut, speaking during the recent celebrations of the ninth anniversary of Poland's liberation, took pains not to link Beria's "criminal activities" with internal Polish developments. He made no mention of Gomulka, but spoke at length of the "criminal designs" of the "Bonn Nazis and their backers from behind the Atlantic." He thus shifted attention to less dangerous ground: recalling Nazi atrocities and insisting on the German threats to the western territories, Bierut was striking the one chord to which most Poles—including staunch opponents of the regime—are sensitive. This anti-German feeling, if nothing else, must have precluded demonstrations in war-devastated Warsaw in support of the Berlin rising.

Reminder of the Ruins

The ruins of Warsaw probably help the government in another way: they are a constant and tragic reminder of the fate awaiting a rising that cannot rely on outside support. The daring escapes of Polish Mig pilots show that the spirit of adventure has not died among the opponents of the regime; but, with memories of massacre still fresh, where is the leader who would take it on his shoulders to send his supporters to certain slaughter?

In policy towards the countryside the government has little need to back-pedal because it has not advanced very far. Collectivisation has made less headway in Poland than in other satellite countries. Immediately after the war the state took over large stretches of land in the formerly German territories, and state farms therefore accounted for 12 per cent of the total agricultural area. By June of this year, however, there were only 8,000 collective farms covering together no more than seven per cent of the agricultural land. In other countries the collectivisation drive is now to be slowed down; in Poland it has always proceeded at a snail's pace. The new Soviet line may therefore mean for the Polish peasant a promise that the tempo will not now be speeded up (although existing collectives are to be cherished) and that his surpluses will have to be extracted not by coercion but by a more plentiful supply of consumer goods. President Bierut could foreshadow all this, while repeating the old slogans about the alliance

between the workers and the small and medium peasants.

Up to now, therefore, caution has paid dividends. The advocates of patience and prudence must have found in Beria's fall a justification of their views. As long as the new men in Moscow have not made up their minds, inertia is probably the safest course. Yet, caution will not be a sufficient safeguard once Moscow's policy has crystallised. If a definite pattern is set for all Eastern Europe, Poland will have to fall into line. Thus, for example, if collective instead of personal leadership is to be the rule throughout the bloc, then no special place can be reserved for Mr Bierut as the "leader and teacher" of the Poles. Or if the security services should be reorganised throughout the area, the Polish Minister of Security, Radkiewicz, has no guarantee of immunity. Poland cannot, in the long run, remain isolated from changes in other Communist-controlled countries. All seems to be quiet in Warsaw, but for how long?

Mr Nehru Goes to Karachi

FROM OUR CORRESPONDENT IN INDIA

INDIA expected no spectacular solutions from Mr Nehru's visit to Karachi; none were achieved. The only concrete decision is an agreement in principle to exchange a few Bengal border enclaves which affects 24,000 people. What India did hope for was an increase in friendliness, and the warmth and spontaneity of Mr Nehru's welcome in Karachi touched every Indian.

The Karachi meeting is only one of a series. The two Prime Ministers had already met in London and, briefly, in Cairo, and Mr Mahomed Ali is coming to Delhi in September. The Steering Committee of Officials has had a whole series of meetings, and talks on evacuee property are still going on in Karachi. The issues between India and Pakistan are so many and so complex that it may well require a Panmunjom to settle them. These are the first really friendly meetings since well before partition. From 1942 till the end of the war Congress leaders were in jail; from then till 1947 they never met Moslem League leaders except under conditions of extreme tension—even when they were both part of a coalition Cabinet in 1946-7 they often sabotaged each other; and Mr Nehru's meetings with Mr Liaquat Ali Khan after independence, were all at times of extreme emergency—in 1947 during the Punjab massacres, in 1950 when the East Bengal killings threatened peace. This time, not only was the atmosphere serene, but its serenity was proof even against the two Premiers' press conferences. Mr Nehru talked of common culture, Mr Mahomed Ali countered with the two-nation theory. Mr Mahomed Ali argued that Kashmir must be settled within a year, or other agreements would have to be reopened, Mr Nehru countershrugged with a reaffirmation that Kashmir is part of India.

The atmosphere had been improving for months before the meeting. Hindus of East Bengal are no longer maltreated. Migration to India has slowed to a properly visaged trickle. The February Passport Agreement, recently ratified, eases the worst hardships and at last reopens some of the land-routes between India and West Pakistan; there is even talk of a train service. Moreover the March trade agreement which removed discriminatory surcharges on

coal to Pakistan and jute to India (the main items of Indo-Pakistani trade) has turned a *casus belli* into a customs return.

Pakistan was then still under Khwaja Nazimuddin; it was he who first groped for a meeting. Mr Mahomed Ali's contribution was to put enthusiasm and feeling into the stiffness of his predecessor's gestures: he talked of Mr Nehru as his "elder brother"; he clamped down on mullahs; those in authority at last stopped threatening India with Jihad—the air cleared overnight. Even last spring's ripple over canal waters caused no spills. This change has been most welcome to India. Underneath all the bitterness and irritation which bubbles over at times of crisis, India has for Pakistan affection and good will. Pakistanis are ex-brothers and Pakistan is the neighbour whose stability represents the stability of India's most vulnerable and expanded border.

This friendliness, however, does not blur into wishful thinking. Most of the eighty odd issues between the two countries are minor enough to be settled by give and take, and of the major ones, the World Bank Mission may in due course solve the canal waters problem which was not discussed at Karachi. But Kashmir and evacuee property involve tenaciously held principles on both sides. No Indian can accept Pakistan's view that evacuee property should be dealt with by private sales by the evacuees: no Hindu or Sikh feels that he could go in safety to West Pakistan to dispose of his own—those who tried to get their safe deposits and the like under the agreement of 1950 have had some unpleasant experiences. Pakistan finds it equally difficult to accept the Indian theory that it should pay the £500 million or so difference in the value of evacuee property in the two countries. The problems of Kashmir are as familiar as they are old, but they have recently been complicated for India by the determination of Jammu, expressed in riots and strikes, to become completely part of India, and the blunt insistence of the Kashmir Valley that its autonomy must remain absolute independence; last year's Delhi Agreement has not been implemented yet and the Kashmir Premier was too busy to come to see Mr Nehru before he left. Indians are beginning to wonder whether their only role in the Valley is to patch its budget and guard its border.

Silence on Defence

At Karachi no scheme for joint defence seems to have been discussed. Mr Nehru has explained that he wants no military alliances because they postulate an enemy, and Pakistan is no more keen. But there does seem to have been an understanding about consultation on various aspects of foreign policy along Commonwealth lines; this does not mean much, since the foreign policies of India and Pakistan are already nearly identical. To India, indeed, perhaps the greatest merit of the Karachi meeting was that only India and Pakistan were there; after their Uno experience, Indians are highly suspicious of outsiders.

The barometer of Indo-Pakistani relations is Bhupat, India's leading murderer, who escaped to Pakistan two years ago. Whenever the two countries are on unusually good terms, there are rumours that Bhupat will be returned; there was one such rumour during the conference, but it was politely denied after Mr Nehru left. So the meeting has not been a complete success. But discussions have at least begun—Bhupat may yet live to be hanged.

Who Rebuilds Korea?

FROM OUR UNITED NATIONS CORRESPONDENT

THE recent request made by President Eisenhower for an additional \$200 million to be spent on Korea's "rehabilitation and economic support" brought only a forced smile to the lips of United Nations' officials working in that field. For one thing, no indication was given in the message whether existing United Nations' agencies would disburse these millions, or whether new ones competing for power, funds and personnel would be set up under American supervision. For another, the wording of the message led critics to believe that Mr Eisenhower had perhaps been misinformed as to both the agreed purpose and the plans of the United Nations' Korean Reconstruction Agency.

This would not be the first time that such a misunderstanding has occurred in high places. In the case of Unkra it is particularly hard to understand because the Americans, together with the Australians, took the lead in persuading the Assembly to set it up. Mr J. Donald Kingsley, its first director, and his successor, Lieutenant General John B. Coulter, who came to Unkra after serving in Korea with the UN Civil Assistance Command, both thought they were putting together something that would serve the exact purpose which Mr Eisenhower described.

General Coulter, in a statement obviously meant as a corrective postscript to the President's message, said that "there might have been a tendency to overlook the fact that the United Nations took not one but two unique steps to meet the challenge of aggression in Korea." The second of these was the establishment of Unkra in the winter of 1950. The agency went to work in 1951, spent \$70 million on reconstruction in 1952-53 and expects to spend \$130 million in 1953-54. Now that a truce has been signed, General Coulter thinks that "aid in the amount of at least one billion dollars will be required to restore Korea's economy to its prewar level." The economic analysis made for Unkra last December by an independent firm of economic experts called for \$1,750 million of foreign aid to make Korea self-supporting.

Eye-Witness Account

Clearly the requested \$200 million could be absorbed into such a programme with ease. If it were handed over, Mr Eisenhower would be forgiven the statement that funds given to Unkra, being designed to meet the immediate exigencies of fighting, could not be expected "either to meet the huge total cost" of reconstruction "or to set the foundation for a healthy peacetime economy." As a matter of fact, Unkra was specifically designed to do its biggest work after the fighting stopped, and to lay the necessary economic foundations for the country's independence.

It is perhaps the most ambitious, and at present the most active, of the international agencies created by Uno in the last five years to deal with various phases of the Korean problem. It will be remembered that the first was a temporary commission, followed in 1948 as matters grew more tense by the United Nations Commission on Korea whose observers were stationed on the peninsula from January to September, 1950, and were thus able to give the General Assembly an eye-witness account of the North Korean invasion. The Unified Command came into being after that invasion, and in October, 1950, the United Nations Commission for the Unification and Rehabilitation of Korea

(Uncurk) was set up in anticipation of a quick peace. Two years later, its first report sounds strangely ironic. The political objective of the United Nations, it said in 1951, must remain the establishment of a unified, independent and democratic Korea. Meanwhile, however, the Chinese invasion had made its work impossible. Uncurk still exists, still is focused on a political settlement, and still acts as the eyes and ears of the General Assembly. But as peace was postponed and chances of unification receded its fortunes and its prestige have tended to wane. It is generally agreed that if this agency is to play any part of the role designed for it, the Assembly will have to rebuild it on a different plan.

Meanwhile the daily work of civilian relief has been done neither by Unkra nor by Uncurk (both designed as primarily post-truce bodies), but by Uncack (United Nations Civil Assistance Command, Korea), operating under Eighth Army orders. It is the army which has been feeding mothers and children, resoldering water pipes and propping up walls for the civilian population. Except in name, Uncack is an American organ, and it is not impossible that this is the body which President Eisenhower had in mind to be strengthened and adapted to a peace-time role. It is this body which Unkra was meant to supersede, and on a much broader scale, when peace should be achieved.

These are by no means the only international bodies operating in Korea. Recently the truce has brought new units with new alphabetic designations and new tasks. The Military Armistice Commission has two committees, one for repatriating prisoners of war and one for assisting the return of displaced civilians. The Neutral Nations Supervisory Commission is there primarily to make sure that no troops or military equipment are added to those in Korea at the time of the armistice. The neutral nations also have set up a Repatriation Commission to act as custodian of all war prisoners who have not consented to repatriation within 60 days of the armistice. There are also joint Red Cross teams.

Confusion Over American Plans

But these new bodies are only interim devices for the perilous period between the end of the shooting and the establishing of an agreed peace. The rebuilding of Korea is still assigned to Unkra, and if for some reason the Americans find this agency (to which they have given millions, and promised millions more) suddenly unacceptable, the wastage will be great. The unfortunate Presidential wording may possibly be due to political double talk or to the influence of the President's new economic advisor on Korean affairs, who made his recent and thus far unpublished report direct to the National Security Council. They assume that the \$200 million, granted by Congress in its closing hours, is money already in the pipeline which would have gone for civilian relief had the fighting continued and is still needed for the same purpose.

The rebuilding of Korea under present circumstances is a job which no western nation in its senses could wish to undertake without the full co-operation of other nations. It is a task for which Uno would seem to be eminently suited, and in which it deserves full support. However, until Washington clarifies its stand this new uncertainty will harass officials. He who pays so much of the piper's costs may set up tremors in the tune by merely clearing his throat.

Synagogue and State

FROM A CORRESPONDENT IN JERUSALEM

BY 59 votes to 6 the Israel Parliament (Knesset) has lately annulled the clause in its compulsory service law that exempts women from military service on religious grounds. As the Bill was introduced, the famous trumpets which once rang round the walls of Jericho were sounded in Jerusalem's orthodox quarters. After a special service of intercession, demonstrators paraded the streets. Yet among the majority not only of the Knesset but of the population, anxiety not to cut right adrift from orthodoxy was mitigated by the very considerable concessions that had been made by the Ben Gurion government. It had provided that girls claiming special treatment on religious grounds are to serve under purely civilian supervision in hospitals, in immigrant camps, on farms and the like. They are to live at home whenever possible, and all matters concerning their service are to be dealt with by the Ministry of Labour, not by the Ministry of Defence. The overwhelming majority by which the step was taken, as well as the vehemence with which it was opposed, are a measure of the balance between secular and religious forces in the state today.

The leaders of orthodox Jewry have had twenty centuries in which to forget the art of treating with a Jewish government. Little of the skill they had often displayed when dealing with Christian or Moslem authorities on behalf of a depressed minority can serve them in a Jewish state. On the one hand they believe, not unnaturally, that it is they, the upholders and solidifiers of the Jewish tradition through the long dark centuries, who should have the dominant voice in the affairs of Israel. On the other hand, they cannot bring themselves to accept (and many cannot feel loyalty towards) a Jewish state which is not based, constitutionally and socially, on the laws of Moses. Most authority and influence in Israel is concentrated in the hands of men and women who are intent on the creation of a secular state where traditional Judaism would have an honoured, but not exclusive place. The traditionalist leaders abhor these purposes. They also lack the special respect for authority that a properly constituted government feels is its due. As a result, the first five years of Israel's existence have seen increasing friction between certain of the religious groupings and the secular parties that are in power. Terms like "clericalism," "theocracy," "heresy" and even "kulturkampf" have been increasingly bandied about in editorial columns and on public platforms. A long series of altercations in the streets and excited parliamentary debates concerning the keeping of the Sabbath, the breeding of pigs, the eating of pork and the education of the young have kept the issue fiercely alive.

Israel has the distinction of being the only country today which maintains compulsory military service for women. At the age of eighteen unmarried women are required to serve two years in the armed forces. In the lorry that is carrying military personnel home for the weekend, wind-swept heads are nearly as often female as male. This regulation is dictated chiefly by security considerations: surrounded by hostile states with larger populations, no able-bodied citizen can be dispensed with. But in addition, in this country in which half the population has been living for five years or less, the army has come to play an educational role of the first importance. It has become,

THE ECONOMIST, AUGUST 8, 1953

among other things, a school for the training of citizens, where native-born and foreign-born, old settler and new immigrant, come together on an equal footing, employ one language and work at a common task. It is conscious policy to channel young Israelis through the army and most observers are agreed that the results justify the practice.

Daughters of religious households have hitherto been excused from military service. The concession was made when the service law was first implemented. The extreme orthodox groups were violently opposed to their entry into the army and partly because Mr Ben Gurion's Knesset majority was then dependent upon the votes of some of them and partly because it was recognised that a first-class social problem was at issue, it was thought wise to dispense with the 2,000 or so girls who were involved each year.

It is essential to point out that the status of women in the very orthodox households is a decidedly subordinate one, while in the country at large women's freedom and equality have been pushed to lengths which might strike the European observer as exaggerated. The bareheaded girl in a socialist youth movement, dressed in her shorts and blouse, is in vivid contrast to the orthodox maiden whose head, arms and legs are covered in accordance with a concept of modesty which some, though not all, nations consider out of date. It is as plain to the agnostic as to the orthodox themselves that if the girls served in the army the pattern of orthodox household life would be destroyed.

Zealots and Trimmers

However, the principle of equality of sacrifice has enormous appeal here, and it was in deference to this (and in deference to the indignant parents of those girls who do serve) that the government sought some form of national service for these girls. The more liberal wing of orthodoxy has long been in favour of a compromise. The largest religious party, *Hapoel Hamizrachi*, is continually trying to reconcile progress with traditional Judaism. The more severely orthodox *Agudat Israel* was never Zionist and is bitterly opposed to compromise with the secular community. Out of it has sprung the tiny *Natorei Karta* (Guardians of the Gates) group, which is prepared to use almost any weapon in its zeal.

The story of the Bill, therefore, is virtually that of a trial of strength between religious parties that are ready to compromise with the state and religious parties that are not. Already *Hapoel Hamizrachi* and its smaller but senior partner *Mizrachi* had gone some way along the road of compromise by accepting the state's education Bill that lessened the hold of orthodoxy upon the schools. Now they have taken a second step despite the serious deterrents put forward by *Agudat Israel*, which pressed the Chief Rabbi to rule that the Bill would be contrary to Jewish law. His dictum seems to have had little effect upon the vote. From now on, it is therefore likely that the liberal wing of orthodoxy will tend increasingly to act independently and, in time, it seems possible that the orthodox community will divide clearly into those who will and those who will not compromise with the secular majority. There is still a call in some secular quarters for continuing attempts at compromise with the zealots. Its advocates feel that the problem of a religious minority within the state is not insoluble, that it will come with time, and that time is on their side.

THE ECONOMIST, AUGUST 8, 1953

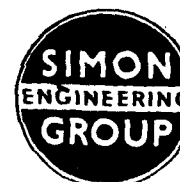
Doing a useful job

No. 5 of a Series

ALUMINIUM

World supplies of aluminium, that valuable and versatile metal, will be increased by nearly half a million tons a year when the Aluminum Company of Canada's new smelting plant goes into full production at Kitimat in British Columbia. For this great project Simon Handling Engineers are designing and building a travelling pneumatic plant to discharge alumina (aluminium oxide) from ocean vessels to the Kitimat works at 180 tons an hour. This will be among the biggest Simon travelling pneumatic plants yet built, and the first of its kind to handle alumina at so high a capacity.

coal washeries · coke ovens · power stations · sulphuric acid plants · chemical plants · gasworks by-product plants · sintering plants · ore concentration plants · materials handling plants · industrial gears · flour and provender mills · and many other specialities



SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD



INCORPORATED BY

ROYAL CHARTER 1720.

In the wide field of Insurance at Home and Overseas the Corporation of the Royal Exchange Assurance offers a valuable service as one of the oldest and most progressive of the British Insurance Offices.

Governor:

THE RIGHT HON. LORD BICESTER.

ROYAL EXCHANGE ASSURANCE

HEAD OFFICE AT THE ROYAL EXCHANGE, LONDON.

Branches and Agencies throughout the United Kingdom and Overseas

EXPORT QUESTIONS NEED EXPERT ANSWERS

Will Latin America take Airliners?



Whether you are exporting airliners or T.V. equipment, dynamos or omnibuses, 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.

Our *Fortnightly Review*, a digest of reports sent in from our 56 branches in South and Central America, is an invaluable summary of economic information for all who trade in these markets. We shall be glad to send you a specimen copy on application to:—

The Research Department (SECTION 34)

BANK OF LONDON & SOUTH AMERICA LIMITED

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE ROAD MANCHESTER: 36 CHARLOTTE STREET



THE TAX COLLECTORS There is little of their modern successors' ruthless urbanity in these 16th century Dutch tax collectors—from a painting by Marinus van Reymerswaele known as "The Excisemen". Ruthlessness, yes; for the gathering in of hard cash was apt to be a dangerous proceeding. Urbanity was to come with anonymity.

A hatful of coins on authority's table reminds us nowadays more of a bank counter and of those

little brown paper bags in which coins are packed. And paper bags—be they carrier bags, vegetable bags, or specially constructed bags for hygienic food handling—are as much part of modern life as the aloof manner of modern taxation. Many millions of paper bags are sold every year by Bowaters and this is just one of the ways in which their Packaging Division makes paper serve modern life. Paper for commerce, art or industry is the business of The Bowater Paper Corporation.

Bowaters

NEWSPRINT • MAGAZINE PAPERS • GRAVURE PAPERS • BANKS & BONDS • PURE PRINTING PAPERS
CORRUGATED FIBREBOARD CONTAINERS • FIBRE DRUMS • MULTIWALL SACKS • PROTECTIVE WRAPPING PAPERS
PACKAGING PAPERS & BOARDS • PAPER BAGS • INSULATING BOARDS • HARDBOARDS

THE BOWATER PAPER CORPORATION LIMITED

Great Britain • United States of America • Canada • Australia • South Africa • Republic of Ireland • Norway • Sweden

THE BUSINESS WORLD

Freedom Returns to the Metals

AFTER fourteen years of Government trading, dealings in copper were resumed last Wednesday on the London Metal Exchange. The market opened briskly, with 2,250 tons changing hands; cash metal fell to £215 per ton from the former official price of £252, and copper for delivery in three months' time fell to £200 per ton. These prices were virtually unchanged in the afternoon session, when 1,000 tons were traded. Most forecasts about the likely level of prices were confounded. The event emphasised that there is no substitute for an open market. Dealings in tin were resumed late in 1949; lead followed three years later and zinc last January. The London Metal Exchange now has its long-sought opportunity to re-establish itself completely as the effective world market.

The conditions in which it embarks on this task differ radically from those under which it worked before the war. Its own operations are now subject to exchange control, there are still many restrictions on trade in non-ferrous metals in other countries, and the direction of international trade in these metals has changed greatly. Before the war, this trade was predominantly from the producing areas towards Europe, and the United States was a considerable exporter. London was naturally fitted to be the world market, for it was at the centre of the trade. But during and since the war, the United States emerged as the largest single consumer of non-ferrous metals and became a considerable importer. There were some who thought that, because of this change, London would have to give place to New York as the world market. But the character of the American trade in non-ferrous metals does not encourage the development of a world market in New York. Production is largely concentrated among a few big companies who post their own prices. The New

York Commodity Exchange handles what are virtually only the residual supplies for the American market and the prices that are established for these marginal supplies are not necessarily representative of the world market. The effective guide to prices in the American market is to be found in the *Engineering and Mining Journal* which gathers information from the trade. For some years before dealings were resumed on the Metal Exchange in London, the Ministry of Materials based its sterling selling prices on the *E&Mj* quotations. The opening prices on the metal exchange for all non-ferrous metals have shown that these quotations could deviate considerably from prices established in an open market.

Despite the changed circumstances in which it now works, the London Metal Exchange has regained the main attributes of a world market remarkably quickly. It provides an effective free market in which prices are highly sensitive to conditions of supply and demand throughout the world. It has preserved its wide international connections, and it can rapidly dispose of large quantities of metal. This is a basic requirement of a world market and it accounts for the welcome that at least one US custom smelter has given to the restoration of dealings in copper; London offers an outlet for forward sales that is not available in the United States.

The course of prices of lead and zinc on the London market has nevertheless drawn some criticism—not wholly disinterested—from American producers. In their view, prices in London have fallen to unjustifiably low levels. They have, however, kept the price of lead in the United States in alignment with its movements in London. In zinc, American producers followed the decline in the London price until March, when they stuck firmly to their own prices; this they could do with some impunity, because European zinc has not yet won the full acceptance of American con-

sumers. Hence the occasion for arbitrage between London and New York, which normally would bring the two prices into line, has been limited. Tin, on the other hand, is a metal that the United States does not produce, and the sharp fall in prices since April has brought no expressions of pain from the other side of the Atlantic. Comparisons of British and American prices of zinc, lead and tin are shown in the charts. The normal margin between these prices reflects the cost of shipping metal from Europe to the United States.

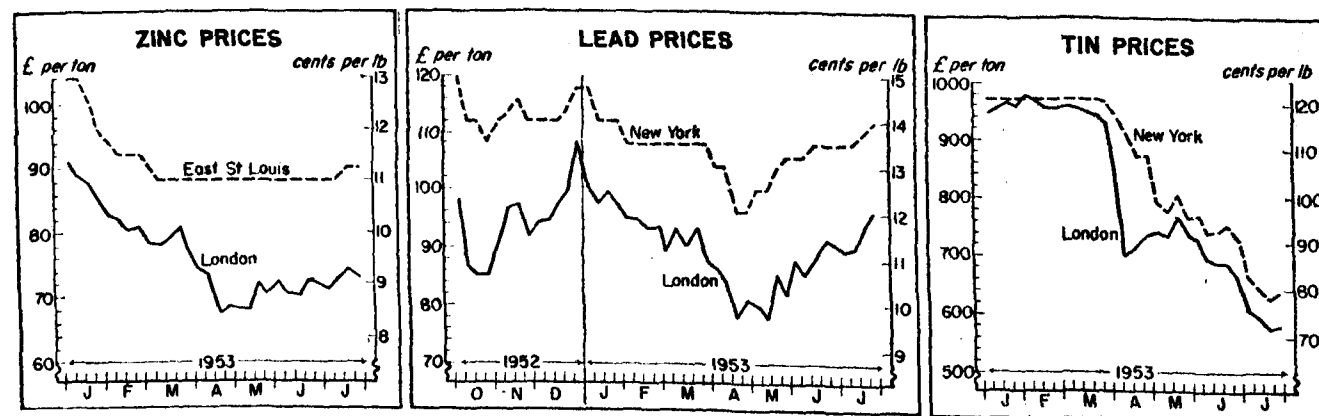
Although the prices established on the London metal exchange are certainly the nearest approach to representative world market prices, few dealers would claim that the market is yet as effective as it was before the war. Except in tin, turnover has not yet reached prewar levels. For tin the average monthly turnover in the first seven months of this year was just below the average of 25,000 tons in 1938. Turnover in lead this year has so far averaged 20,400 tons a month compared with 32,300 tons in 1938, and in zinc 18,700 tons compared with 24,500 tons. These smaller tonnages mark the changed conditions in the metal trade and also the reduced volume of business, compared with the thirties, that reaches the market from British and Continental users of non-ferrous metals. New business has come in from the United States, and it may increase as Americans become more receptive to the idea of a free market in London. An increase in business from the Continent awaits the easing of local restrictions on the use that can be made of the London metal exchange.

The metal exchange is trying to encourage British users of non-ferrous metals to make more use of the market. Many buyers of non-ferrous metals in Britain have experience only of dealing with the Ministry of Materials, and they are understandably hazy about the way in which a free market works. They do not appreciate that the metal exchange enables them to insure their manufacturing margins and their unsold stocks against an unfavourable movement in raw material prices; nor that the facilities of the exchange enables them to reduce their physical stocks to the minimum.

A broader measure of support for the market also depends on the widest acceptability of the standard

contracts that the metal exchange authorities draw up for each metal. If the terms of these contracts seem to favour the convenience of producers, consumers will be less ready to use the market; if the consumer seems to be favoured, producers will be less willing to offer sufficient metal to the market. This does not mean that all business must pass through the metal exchange; traditionally much more business has been conducted outside the market, but at the market price. The necessary condition of a representative market is that it attracts sufficient business to make it so. The contracts for lead and zinc are now being revised, chiefly to shorten the period in which the producer has the option to deliver, and it may also prove desirable to revise the new contract for copper. A majority of the brokers on the metal exchange consider that producers must be allowed fairly wide latitude to encourage them to use the market. But it should not be impossible to follow the example of one of the largest American copper companies which recently offered to guarantee delivery in standard shapes and sizes, for a premium, in order to stimulate use of the futures contract on the New York Commodity Exchange.

It is only a short time since the wisdom of reopening the London Metal Exchange and other commodity markets was doubted, and not merely by Labour Ministers. Yet how sound the decision has proved to be. The timorous view that reopening the metal market would result in a substantial loss of dollars has been confounded. The hardening of sterling in world markets has virtually destroyed the profitability of "commodity shunting" in free sterling, and the metal exchange has been vigilant in discouraging deals which smacked of such devices. Events have justified the belief of the British authorities, and of many unofficial observers, that given a healthy pound, foreign holders of sterling would use it primarily to buy commodities in London, as before the war. The successful reopening of the metal markets is indeed a matter for gratification. It restores an important element in London's mercantile pre-eminence; it enables British trading skill to earn foreign exchange; and it gives British monetary policy an effective chance to extend its influence on the broad trend of world prices.



Oil by Sea—II.

Too Many Tankers?

THE growth of the world tanker fleet since the end of the war, and the changes in its composition were outlined in an article in *The Economist* last week. This showed that the planned increase of the fleet for the next few years (leaving aside the question of scrapping over-age vessels) may bring about a considerable surplus of tonnage even if the present slackness of demand for tankers should prove temporary. This maladjustment, if prolonged for any length of time, would be bound to have serious consequences, not only for the oil companies and the increasing number of independent tanker operators and owners, but also for the shipbuilders, since some 60 per cent of their present orders are for tankers.

A balance between the supply of and demand for oil tankers is, in the nature of things, not easy to achieve. At any given time the supply of tankers is extremely inelastic. Today there is the possibility of a growing surplus of tankers; yet this has followed a postwar period in which the principal concern has been to keep the supply of tankers in pace with the remarkable expansion of the oil industry. The expansion of tanker capacity that has already taken place is, in fact, greater than the mere tonnage figures suggest. While the deadweight tonnage has doubled, real carrying capacity is more than twice that of the prewar fleet, because the postwar tankers are in all respects larger, faster and more economical vessels. They are able to carry a greater quantity of oil over longer distances in the same time, and can turn round quickly because they load and discharge their cargoes at greater speed.

Although the production and consumption of oil has been expanding every year since the end of the war, the rate of increase has shown much variation. Since 1946 the world production of crude oil has increased at an average annual rate of about 9 per cent, but in one year there was little increase at all, whereas in the next year there was an advance of 12 per cent. The supply of tankers cannot be adjusted to such violent changes, and the inevitable result is a series of rapid fluctuations between high freight rates and low.

At times the oil companies either own or have under time charter as much as 90 per cent of the world tanker tonnage, the remaining 10 per cent "running the market." It is only this 10 per cent which is available for coping with the large annual—or even seasonal—variations in demand. From this comparatively small "cushion" of tonnage the marginal requirements of oil transport are covered by means of charters for single voyages or a series of voyages; and the rates for charters of this kind can be subject to the most severe fluctuations. It is the rate paid for this sort of charter which is generally referred to as the "market rate." These fluctuations in freight costs for marginal amounts of

petroleum products might be expected to have an unsettling effect upon oil prices. In practice, since 1949 the oil companies have endeavoured to introduce some form of stability into voyage rates by means of the "London tanker brokers' award." Every April and October a panel of tanker brokers fixes a basic rate. This notional rate is a basic time charter rate for a standard size tanker which, in the opinion of the brokers' panel, would have to be paid for a two-year charter by a charterer requiring such tonnage for prompt loading and it is accordingly subject to less severe fluctuations than single voyage rates. It does not necessarily have any significant effect on the actual rates at which business is done in the market for spot tonnage during that period.

★

The combined efforts of the oil companies and the independent tanker owners to keep the supply of tonnage in step with the expansion of the oil industry have been fairly successful. Although the variations in demand have been considerable, the periods of extremely high freight rates, accentuated at different times, for example, by the coal shortage and the war in Korea, have been fairly short. For the last twelve months the boot appears to have been on the other foot. Even last winter failed to bring about the normal seasonal strengthening of the market, and the steady fall in freight rates this year has raised doubts whether the planned expansion of tanker tonnage during the next few years has not been overdone.

In the long run the eventual pattern of demand for oil is the deciding factor and this, unfortunately, is as unpredictable as it has been in the past. The rate of expansion has, perhaps, been higher since the war than can be expected to continue; one oil expert has recently ventured the opinion that it might settle down to an annual average increase of about 5 per cent. On that basis, the rate of increase would call for an annual addition to the capacity of the world tanker fleet of about 1,600,000 tons d.w.

At the end of 1952, the tanker building programme envisaged an addition of about 15 million tons d.w. during the next few years. Completion of this programme would bring the world fleet by 1959 to a total of about 47½ million tons d.w., without any allowance for deductions through casualty or obsolescence. If the estimate that an additional 1,600,000 tons a year may be needed is sound, it would imply that the fleet required at the end of 1958 should be in the region of 42½ million tons d.w. Unless during the intervening period some 5 million tons d.w. are scrapped or otherwise removed from service, this estimate would suggest

that there would be too many tankers. Theoretically, scrapping ought to balance this growth in the fleet, since about 5 million tons of the present tanker fleet will be 25 years old or more in 1958, and 25 years is considered to be above the normal span of a tanker's life. In practice, however, things are not so perfectly regulated, and the oil companies, although they are in a good position to encourage the entry of new tonnage into the market, are not so easily able to push obsolescent surplus tonnage out, particularly as a much larger percentage of the total in a few years' time will be owned by independent interests. So long as there is a prospect that an upsurge of demand for oil might instead create a temporary shortage of tankers within a reasonably short period, owners of obsolescent tankers will lay them up rather than break them up. Today, when new and more efficient and economical tankers are coming into service at a rate that over the next two years is likely to exceed 3½ million tons per annum, the older tankers, many of them past their normal expected term of life and now quite uneconomical to run, are not being broken up in any large number. More than 1 million tons of them are now idle or laid up, in the hope, presumably, that before they eventually fall to pieces they will find a chance of earning more than their cost of upkeep.

This "free-lance" reserve of tanker tonnage would be useful in preventing another violent increase in freight rates if the demand for oil should suddenly and unexpectedly rise at short notice. But its existence also has the effect of discouraging the orderly introduction of new and more economical ships (which would need to be ordered now for delivery in later years) and strengthens the possibility that sooner or later the oil industry may be caught up in another shortage of up-to-date tanker tonnage. Looking farther ahead, the problem of adjusting supply and demand is likely to present even greater complications, for the war-time and postwar concentration on tanker building has created huge blocks of tonnage of similar age. Of the present fleet, over 14 million tons d.w. was built between 1940 and 1945 and nearly 6 million tons between 1946 and 1950; and by the end of 1954 another 12 million tons or more will date from 1951-54.

Thus it seems that after about five years in which the demand for oil may increase by 5 per cent annually, the world tanker market will again be just about in balance

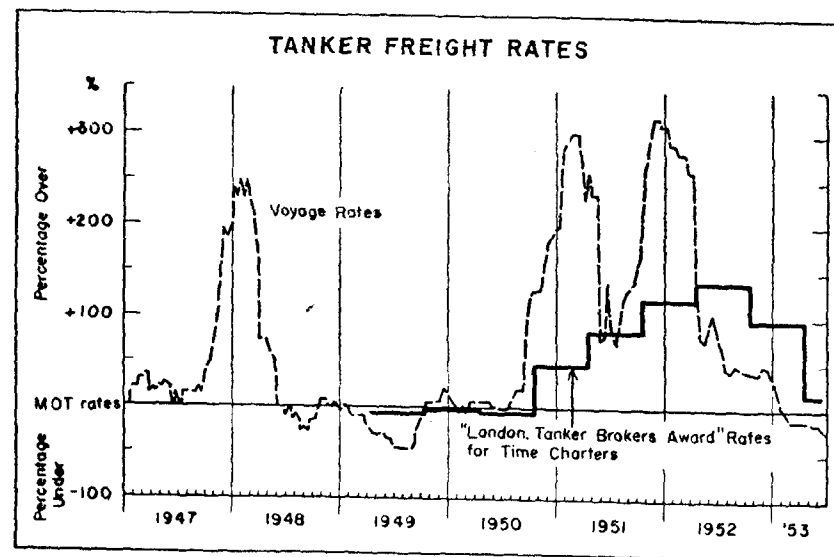
and freight rates will begin to adjust themselves to such a prospect well before that time. But the prospect over the next year or two could well be serious. This year alone there may well be an increase of some 10 per cent in the world tanker fleet—even after making very generous allowances for delays in the delivery of new tonnage and for the quantity of old tonnage that may be scrapped. Many owners of old tonnage, therefore, will be under economic pressure to scrap their tankers as soon as they have completed existing charters; these vessels are handicapped not only by their age, and consequent survey and maintenance expenses, but also by their size, for they are smaller and slower than postwar vessels. The older tankers can only expect to operate profitably in times of high freight rates—which do not appear imminent. So the greater part of the readjustment in the tanker market may come about rather through the scrapping of old and smaller tankers than by the cancellation of contracts for new ones. Cancellations of new orders

will be restricted to those independent owners who have not already been able to fix their vessels on time charter to one of the oil companies.

Past experience has shown that the most painstaking estimates of future trends in the international oil trade are often upset by events which are unforeseen and could not properly be anticipated. At

the present time there is much discussion in the United States about the level of oil imports into that country, and a change of policy in this respect could have a far-reaching effect on the tanker market. Domestic producers of oil as well as coal are arguing that oil imports are too high. If American oil imports were to be halved, this might easily result in the laying up of a further million tons d.w. of tankers. On the other hand, some American "conservationists" are suggesting that imports of oil should be deliberately stepped up to two or even three times the current rate, so that domestic oil reserves can be stored in the ground to provide a stockpile of oil against the eventuality of war. Such a policy, if adopted, would increase world tanker requirements by as much as 4 million tons. This emphasises the extent to which the American oil market, which governs world oil prices, also dominates the levels of world tanker rates and the profitability of tanker operation.

In the thirties, the intrinsic difficulties involved in marrying inelastic supply and elastic demand for tanker



Source of voyage rates: Conrad Bore Ltd., Oslo. Examples of Ministry of Transport rates are: Aruba or Curacao/U.K. Continent 32s. 6d.; U.S. Gulf/UK Continent 38s.

tonnage led to the establishment of the international "tanker pool," which was operated by the International Tanker Owners' Association, with the support of the major oil companies. The members of this organisation contributed a proportion of the freights they earned to a central fund, out of which compensation was paid to the owners of tankers taken out of commission and laid up in order to relieve any surplus of tonnage. This scheme was designed to give some stiffening to the depressed freight market and to encourage the laying up of surplus tankers until demand recovered. There have been significant changes in the composition and ownership of the greatly enlarged tanker fleet since that time. Before the war the pool was operated with

some success simply because the major oil companies decided to co-operate. Though these companies now own a smaller proportion of the world's tanker fleet, their view would still be decisive and there is no evidence to suggest that they have any wish to revive the pool. The ideal, no doubt, might be to build up a world fleet just capable of dealing with any potential peak demand, which would also tend to prevent excessive rises in freight rates. This method would, at least, assure some stability of the freight element in oil prices, and it would, incidentally, give some protection to the world shipbuilding industry against its present vulnerability to the threat of widespread cancellations of tanker contracts.

Business Notes

The First Steel Sale

THE unscrambling of the steel industry has begun on a low flame with the private re-sale of Templeborough Rolling Mills to its former owners. The heat will not really be turned up until the early autumn when the first public offers of steel shares are expected. It had been hoped that one or two public offers might make their appearance before the holidays but there was delay in setting up the Agency, and there may also have been a closely fought debate on the terms of the first public issue. Sir John Morison, the chairman of the Realisation Agency, has indicated this week that this first offer will consist of ordinary shares in one of the "Big Seven"—Colvilles, Dorman Long, Lancashire Steel, Stewarts and Lloyds, United Steel, Whitehead and John Summers—but which one will first test the market is still the Agency's secret. The Agency hopes to float off the equity issues of these companies before making any offers of prior charge capital, but its mind is entirely flexible; it might slip in one or two offers for smaller companies and if there were any hitch in the ordinary share offers of the big seven, it might reconsider the possibility of offering prior charge capital.

The actual issues will be handled and underwritten by the issuing houses that were concerned with offers of steel shares before nationalisation—a galaxy of skill and experience made up of Barings, Bensons, Hambros, Helbert Wagg, Lazards, Morgan Grenfell, Rothschilds and Schroeders. In making these offers, preferential treatment (which effectively will probably amount to absolute priority in allotment) will be given to investors that held steel shares—either ordinary or preference—on vesting day; these shareholders will include a lengthy list of institutional investors who purchased steel shares shortly before February 15, 1951, as a cheap back door into gilt-edged stocks—a point that the Agency will not have missed in fixing these arrange-

ments. Applicants for each offer will have the option either of paying in cash or of tendering a wide list of Government securities (probably excluding only the "shorts") for conversion into steel shares; on the day when an offer of steel shares is made to the public the Bank of England (which will act as principal receiving agent for applications) will publish a list of these gilt-edged securities and the prices at which they may be tendered for conversion into the steel issue. These arrangements will give an edge to any operations by the authorities in the gilt-edged market before the early autumn and may have the effect of pegging gilt-edged prices for so long as the lists for any given steel issue remain open.

★

In advance of these offers, there may be one or two private deals similar to that arranged with the former owners of Templeborough Rolling Mills—a re-rolling concern that recently has been very profitable. One third of the shares—that is 72,001—in this company has been sold back to British Ropes and another third to William Cooke (a joint subsidiary of British Ropes and United Steel) at £7 5s. each; the remaining third is still owned by United Steel, which will be offered for sale *cum* the shareholding of this company. This price was arrived at only after hard bargaining and the fact that it is close to the take-over price of £7 is merely coincidence. Indeed, in commenting on this sale, Sir John Morison particularly emphasised that take-over prices are not relevant in fixing the prices at which the steel assets will be sold back. Moreover, the fact that Templeborough has been sold back without its former holding in Scunthorpe Rolling Mill (now owned by John Lysaghts) is a reminder that the physical assets of the steel companies may occasionally be reshuffled before a sale is made. Investors will also recall that major changes in the capital structures of some important steel companies have occurred during their existence as subsidiaries of the Iron and Steel Corporation.

£80 Million for Gas

SOON after the British Electricity Authority, the Gas Council makes another appearance in the gilt-edged market—and with one of the nicest calculations of terms. Its £80 million issue (largely intended for replacing temporary finance) is of 4 per cent guaranteed stock, with a 16-19 year life, offered at 99. It is conveniently not too long, but equally it gives nothing away; and although the gilt-edged market took the issue in its stride and did what it could to provide an encouraging background of firmness, there were few doubts that success for the new stock would imply the familiar process of official subscription and peddling out through the tap when conditions serve. If, as some judges think, the outlook for the next month or two is for steady to good conditions in the gilt-edged market, the authorities should enjoy adequate opportunities to do so.

The Rising Reserves

THE increase of \$89 million in the sterling area's gold and dollar reserves in July, nearly twice as great as the increase of \$46 million in June, is unexpectedly satisfactory. This is the worst season of the year for sterling area sales of wool, cocoa and several other staple commodity

TREND OF DOLLAR SURPLUS
(\$ MILLION)

	EPU settlements†	Gold payments (-) or receipts (+)	Purchase of "arbitrage" commodities	Residual gold and dollar balance	American aid	Change in reserves	Reserves at end of period
Sept., 1952...	- 5	- 20	+ 11	+ 27	+ 13	1,685	
Oct., 1952...	+ 37	- 40	+ 50	+ 35	+ 82	1,767	
Nov., 1952...	+ 96	- 65	+ 70	+ 27	+ 128	1,895	
Dec., 1952...	+ 80	- 40	+ 61	+ 31	- 49*	1,846*	
Jan., 1953...	+ 58	...	+ 30	+ 44	+ 132	1,978	
Feb., 1953...	+ 18	...	+ 74	+ 33	+ 125	2,103	
Mar., 1953...	+ 19	...	+ 15	+ 29	+ 63	2,166	
April, 1953...	+ 11	...	+ 76	+ 20	+ 107	2,273	
May, 1953...	+ 21	...	+ 14	+ 13	+ 48	2,321	
June, 1953...	+ 10	...	+ 8	+ 28	+ 46	2,367	
July, 1953...	+ 2	...	+ 51	+ 36	+ 89	2,456	

* 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.

exports; it is also the season when British tourist expenditure on the Continent is at its peak. The principal feature in the dollar accounts for July was a surplus of \$51 million in what the accompanying table calls the "residual gold and dollar balance," which, for the most part, mirrors the sterling area's current balance with North America. In the last

eleven months, during which the reserves have risen by \$784 million to \$2,456 million, this residual balance has been consistently in surplus—at any rate if last autumn's purchases of arbitrage commodities and last December's dollar debt payments are excluded from it.

The other factors behind the rise in the reserves last month were receipts of \$36 million of American aid (which is above the average both of recent months and of what is to be expected in the months ahead) and of \$2 million from the European Payments Union. This month, for the first time since September, 1952, Britain will have to pay out some gold to EPU instead of garnering new reserves from it; half of the sterling area's deficit of £4 million with Western Europe in July will have to be settled in gold in mid-August. This impending payment of \$5½ million of gold to EPU, however, should be compared with the payment of \$99 million to it a year ago; it seems to be purely a seasonal phenomenon—due especially to tourist payments—and the only cause for surprise is that the recent liberalisation of sterling countries' imports from Western Europe has not thrust this account further into the red. Although any recession in America would change the picture overnight, there is no sign yet of any turn in the golden tide.

Four Month Bills Again

NOW that foreigners are no longer fleeing from sterling the Bank of England has wisely decided to rescind most of the restrictions on the granting of overseas credits that were brought into effect at the beginning of last year. The pressure to which sterling was then subjected was being accentuated—indeed, in large part, was being exerted—by the fact that non-residents were able to postpone remittances to sterling countries and to run short of sterling with the help of London banking credits. In order to counter this, the maximum usance of bills drawn under overseas credits was reduced from 120 to 90 days in February, 1952. In addition severe restrictions were placed on pre-finance and re-finance credits. The former, sometimes referred to as "campaign" credits, are facilities usually granted to primary producers—say, during the growing of cotton or the felling of timber—but before the actual commodities are ready for shipment and therefore before they can rank for normal documentary acceptance credits. Re-finance credits are intended to cover longer periods than the normal span of self-liquidating commercial transactions and, therefore, involve the automatic renewal of bills of exchange. Such facilities were openly used as a method of "bearing" sterling.

All these restrictions, other than those relating to re-finance credits, have now been lifted. In the case of re-finance credits each operation will be judged on its own merits and the ban will continue to apply only where there is evidence that these facilities are being used for purposes that are not genuinely commercial. Although the appropriate instructions have been sent to the banks, it must not be assumed that there will be a general movement to increase the usance of bills of exchange drawn under overseas credits from 90 to 120 days. Such extensions will be permitted by the Exchange Control, but the discount office of the Bank of England is unlikely to overcome its

strong and, on the whole, justifiable aversion to bills drawn for more than 90 days; and the Bank of England's aversion is apt to be translated not merely into a refusal to buy such bills but into critical comments to those who have accepted them.

Loosening Cash Credits

THE commercial banks have also been informed that they may grant cash credits of up to six months to non-residents who seek finance for the import of British goods. This is being done to meet the situation created by the evident need for more export credits and by the fact that many British exporters find themselves up to the hilt of their bank credit facilities. In such cases the necessary credit facilities can be extended direct to the non-resident importer, while the transfer and other risks involved can be covered with the Export Credits Guarantee Department. It is also hoped before long to reduce the considerable amount of clerical work involved in filling up E2 forms. These are the exchange control forms that must be completed to obtain permission to open credits for non-residents. The form will still be required for any abnormal credit; but for straightforward export or import credits of a self-liquidating character no exchange control permission will be needed.

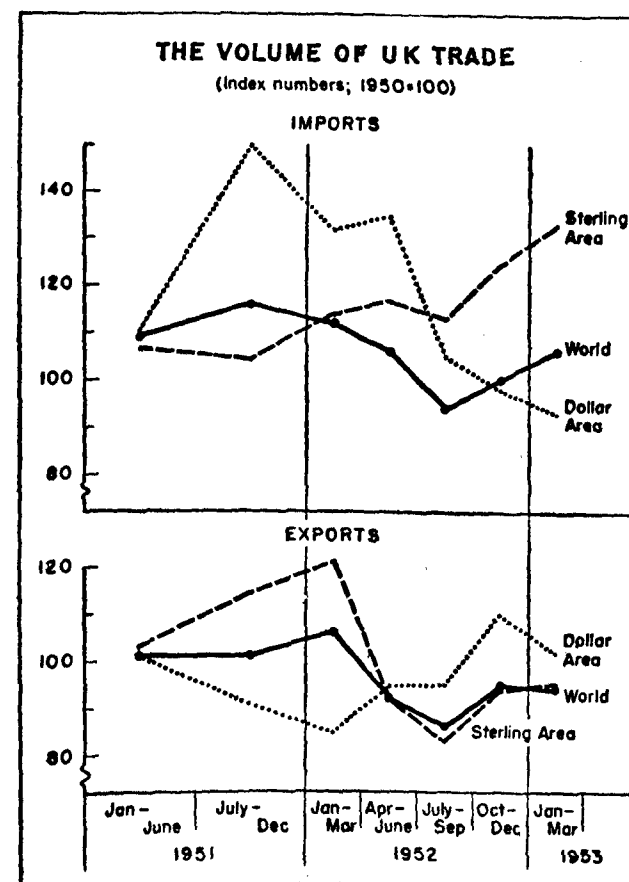
These various concessions and relaxations represent another notable step in the restoration of London's position as an international financial centre. They may not, however, lead to any great revival of the commercial bill. With the commercial bill rate still pegged as high as 3 per cent, more or less by official ukase it is still more profitable for many traders to finance their activities by ordinary overdraft facilities—especially when the acceptance houses' normal commission of around 1½ or 2 per cent, the British stamp duty of 0.2 per cent, and the greater convenience to the borrower of the overdraft system are taken into account. A great deal more is likely to be heard in the next few months about the campaign for reducing the commercial bill rate, which already has the support of the accepting houses and the majority of the discount market.

The Supersonic Gyron

THE new de Havilland engine, the Gyron, of which news was given last week, is believed to be the most powerful jet engine in the world. It is the outcome of a bold bid by the de Havilland Engine Company to make up for the ground lost a few years ago when, alone in the aircraft industry, it continued to pin its faith to the centrifugal compressor, which other designers had abandoned in favour of the more intricate but apparently much more efficient axial. The performance of a jet engine depends very largely on the efficiency of the compressor, for a good deal of the power produced by the engine has to be tapped off to drive it, and the amount of power yielded is partly decided by how highly compressed is the air when it enters the combustion chamber.

The Rolls-Royce Avon, the first axial compressor jet to go into production, has recently been type-tested to give a thrust of 9,500 pounds. This is the highest figure yet reached under the conditions laid down for a test of this kind, during which the engine must run for long periods at a given power output, that then becomes its officially accepted rating (usually well below the maximum of which the engine is capable). Other and newer engines are giving more than 10,000 pounds thrust on the test bed—which is vastly different from passing a type-test at that figure—and the new Rolls-Royce Conway engine is believed to be giving considerably more than this. This suggests that the de Havilland engine must be in the 15,000 to 20,000 pound class; the company has already announced that it is intended for fighters operating at speeds well above that of sound. The company also claims that the Gyron is sturdy and simple to build, which is certainly a departure in jet engine design. It is possible that simplicity has been achieved by abandoning all effort to keep down the size of the engine. This would then make for larger, sturdier components and greatly simplify their production.

This unconventional approach may be the reason why de Havilland has only recently received financial support for the Gyron from the Ministry of Supply. It has had to develop the engine up to this point with its own money, and any Ministry contributions might therefore date only from the signing of the contract. As an engine costs in the region of £4 million to develop, and as a great deal of this has to be spent before the engine is ready for flight trials, it is not surprising that comparatively few aircraft companies



Source: Board of Trade Journal, August 1, 1953.

match de Havilland in its willingness to back a design out of its own financial resources. This may have serious consequences should Government expenditure on defence be curtailed to a point where the Ministry of Supply is able to support only one out of a number of promising designs. In the years immediately after the war, design contracts were freely handed out. This open-handedness enabled the country to get its Canberras, Swifts and Hunters. But, as the Treasury remembers, it also got its Brabazons.

Revolving Loan for Industry

UNDER the American Mutual Security Act of 1952, the sterling counterpart to a small portion (some \$9 million) of American aid to this country had to be used to "establish revolving funds which shall be available for making loans" to producers or otherwise to stimulate "free enterprise and the expansion of the economy." The highbrow answer to this legislation is, of course, that there is no such thing as a real "sterling counterpart" to dollar aid; since the dollars handed out as aid are used directly to buy dollar raw materials (especially those for the defence programme) they cannot be used twice over for new investment in this country. But since the truth needs to be brought home to the people of this country that American aid makes possible certain activities that otherwise could not be afforded, and since the resale to private merchants in Britain of the imports financed by aid receipts can be made to lead to the apparent generation of an idle sterling cash balance in the hands of the central government, Britain had a plain duty to "use" \$9 million of this apparent cash balance to finance certain hard-and-fast items of government expenditure; and then to use the tax revenue (which had really been raised to finance these hard-and-fast items) to carry out the necessary absorption of the surplus purchasing power thus created.

Cmd 8918, which was published this week, now details what these industrial purposes are to be. The most interesting feature is the establishment of a revolving loan fund of £1 million, of which £700,000 will be lent to industry and £300,000 to agriculture. Two committees (under the chairmanship of Sir John Woods and Sir Stanford Cooper respectively) are being set up. They will announce later what sort of applications will be considered and where applications should be addressed; the agricultural committee has already announced that its main purpose will be to grant loans to farmers and landlords for the purchase of grain-drying equipment and storage facilities, and to provide a wide range of capital for Agricultural Co-operative Societies. The rest of the industrial section of this counterpart fund will be applied as to £457,500 for the finance of advisory services by government departments, the British Institute of Management, the British Productivity Council and the National Union of Manufacturers; as to £519,000 for education and training, including the endowment of three chairs or University readerships in engineering and related subjects; as to £589,500 for research, including £400,000 for specific types of economic and social research; and as to £188,400 for publicity about productivity and technical developments. Britain is also contributing £257,500 to the European Productivity Agency, while £201,600 will be kept back in an unallocated reserve.

Atomic Trials at Woomera

REGULAR trials of atomic weapons seem likely to become a feature of the British atomic energy programme, as they are in the United States. The Minister of Supply announced in the House of Commons a week ago that such trials will be carried out on the Australian rocket range at Woomera in October, exactly twelve months after the first British atomic explosion at Monte Bello. The Woomera range is jointly owned by the British and Australian Governments, who have been using it so far for experiments with guided weapons and pilotless aircraft. Experience in the handling of these unconventional armaments is being accumulated in Australia.

Last year's experiment at Monte Bello showed not only that British scientists could design atom bombs, but also that the Commonwealth could provide suitable conditions for testing them. But although Britain's ability to carry out a development programme of atomic weapons gives this country a bargaining counter in negotiating an exchange of atomic information with America, this is not yet strong enough to get the necessary amending legislation through Congress.

There seems, therefore, no immediate prospect of sharing the burden of atomic development. The Minister of Supply said that "increasing sums" were being spent on research into civil applications for atomic energy, but any development of power generation from atomic piles is of great military significance. The experimental power plant that is now being built would equally be regarded as providing data for the development of atomic propulsion of submarines and aircraft, while the plant is generally believed to be operating in conjunction with a pile for producing plutonium, the explosive material for atomic weapons. The British approach to investment in atomic weapons and atomic fuel is essentially pragmatic: Lord Cherwell last year assured the House of Lords that there was no need to consider the explosive charge of the bomb as wasted; it could always be removed and used as a fuel for civil power plants.

Air Traffic in 1952-53

IN the financial year ended March, 1953, the nationalised airlines and their associates provided about 12 per cent more capacity on their services than the year before, but obtained only 10 per cent more revenue traffic, with the result that "overall load factor" fell in BOAC and BEA with alarming implications for their coming financial accounts. Traffic was affected last year by the cuts in services caused by the American fuel strike, by political disturbances in the Middle East, and by the reduced foreign travel allowance; nevertheless, the introduction of tourist fares on the North Atlantic routes stimulated passenger traffic, and the number of passengers carried on all services increased to more than 1½ million, 23 per cent more than the previous year. The Atlantic tourist fares caused passenger traffic on BOAC's western service to increase more than traffic on the eastern services, though the absolute

Established in 1845.
All classes of Insurance
transacted including
Fire, Life, Accident,
Motor, Marine and
Aviation. Represented
throughout the world.



Head Offices

North John St. | Lombard St.
LIVERPOOL | LONDON

The pulse of Canada

You can feel the pulse of Canada through our Monthly Commercial Letter, which will be sent to you regularly upon request.

With over 600 branches strategically located throughout Canada, we can provide authoritative economic information on the products, markets and opportunities of interest to British business men.

The Canadian Bank of Commerce

2 Lombard Street,
London, E.C.3

Head Office: Toronto, Canada
(Incorporated in Canada in 1867
with Limited Liability)



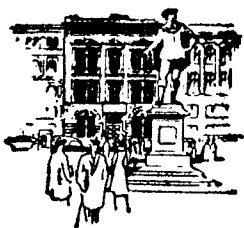
Seasonal Greetings!

Strange things happen
in a British Summer. But
if you really did see Father Christmas
on the pier one day this August you
might well swear off lobster lunches
for ever. Set your mind at rest, though;
this jovial chap is simply our impression
of the business man who has already placed
his order for advertising playing cards
for this Christmas. Have you ever thought
of advertising by playing cards? They
make an admirable gift and are a
very effective way of keeping your name
in mind. Their cost, too, is surprisingly
reasonable. Why not strike a new note
this year? Our designers can incorporate
your name or trademark into an attractive
playing card and the finished product will
have over a hundred years' experience behind it.
But orders must be received by early September
for delivery before Christmas. So please
telephone or write for one of our technical
advisers to call and show
you specimens and answer
all your questions.

ADVERTISING
PLAYING CARDS
A
DE LA RUE
PRODUCT

THOMAS DE LA RUE & CO. LTD.,
Stationers Division, 84/86, Regent Street, London, W.1. Tel: Regent 290.

THAU



KREDITKASSEN

Christiania Bank og Kreditkasse

Established 1848

Every banking facility

TELEGRAMS: KREDITKASSEN

OSLO — NORWAY

36/-

The intermediate bonus on claims arising on or after 1st January 1953 under with-profits policies has been raised by a further 2/-, from 34/- to 36/- per cent compound — proof yet again of the strength and resilience of the Scottish Widows' Fund.

For particulars of how you may become a member of this vigorous profit-sharing Society write to



SCOTTISH WIDOWS' FUND

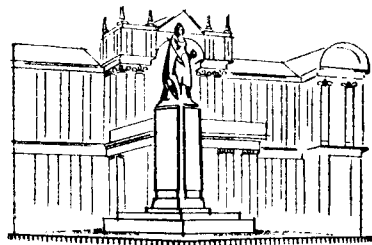
Head Office:

9 St. Andrew Square, Edinburgh 2

London Offices:

28 Cornhill, E.C.3

17 Waterloo Place, S.W.1

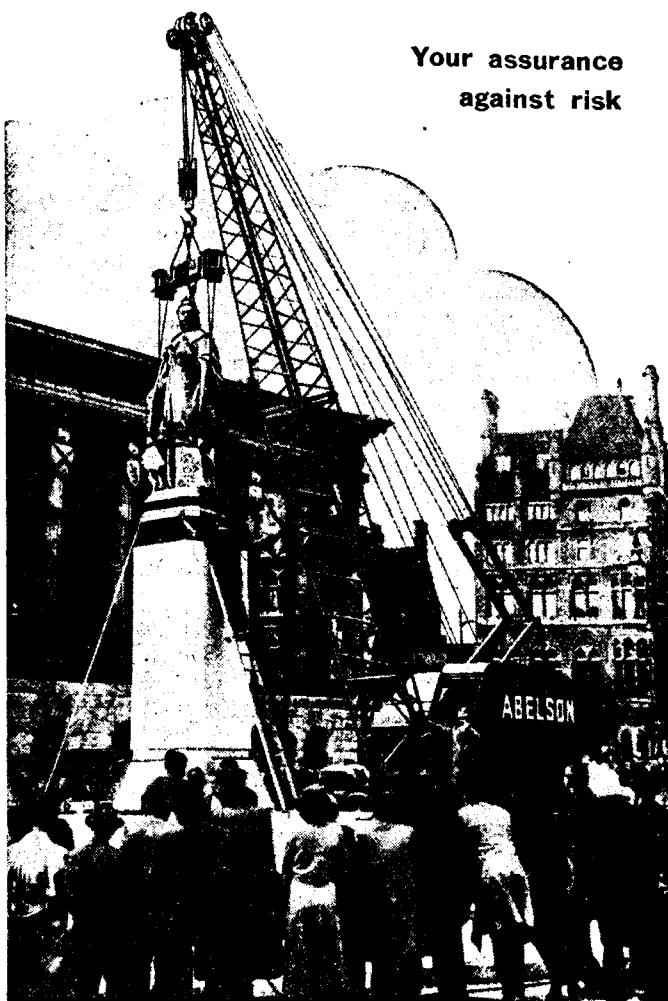


One of the many assignments entrusted to us—placing back into position the Queen Victoria Monument in Victoria Square, Birmingham, after renovations had been completed.

ABELSON

SPECIALISTS IN THE SUPPLY OF PLANT, POWER PLANT AND MISCELLANEOUS MACHINERY

Your assurance
against risk



ABELSON & CO. (ENGINEERS) LTD.

SHELDON BIRMINGHAM 26

TELEPHONE: SHELDON 2424 (10 lines) TELEGRAMS: ABELSON BIRMINGHAM

LONDON OFFICE
70, VICTORIA STREET,
LONDON S.W.1.
TEL: CATE GALLERY 9222 R
GRAMS (INLAND) ABELPOWER
LOWEST LONDON

MANCHESTER OFFICE
100, OXFORD ROAD,
MANCHESTER 13
TEL: ANDWICK 1328 (1 line)

number of passengers on the eastern services remained larger. The main development within BEA was on the internal services, particularly following upon the charging of cheap winter fares on some domestic trunk routes. Since

AIRLINE OPERATING STATISTICS: April 1952—March 1953

	BOAC		BEA		Associates	
	Financial year, 1952-53	% change on 1951-52	Financial year, 1952-53	% change on 1951-52	Financial year, 1952-53	% change on 1951-52
Aircraft miles flown ('000)	32,242	+ 7.5	23,994	+ 11.7	2,671	+ 75.6
Passengers carried ('000)	275	+ 12.7	1,400	+ 23.3	97	+ 70.0
Freight carried ('000 short tons)	6	- 1.9	16	+ 12.2	16*	- 15.9
Mail carried ('000 short tons)	3	+ 5.9	6	- 2.9	0.02	+ 59.7
Capacity ('000 short ton miles)	203,293	+ 8.9	68,680	+ 21.7	5,399	+ 50.9
Load ('000 short ton-miles)	131,247	+ 7.0	42,994	+ 18.1	3,547	+ 71.2
Overall load factor (%)	64.6	65.7†	62.6	64.5†	65.7	57.9†
Available seat miles ('000)	1,361,727	+ 12.6	578,013	+ 25.0	40,414	+ 99.1
Passenger miles flown ('000)	867,346	+ 12.2	372,966	+ 20.6	27,748	+ 132.4
Passenger load factor (%)	63.7	63.9†	64.5	66.9†	68.7	58.8†

* Includes vehicles and passengers carried on ferry services.
† 1951-52 actual load factors.

March BEA has put the turbo-prop Viscount into service on tourist routes, and this week reported that these aircraft earned a clear profit of £70,000 during their first 2,000 hours service, and are the cheapest in the corporation's fleet to operate.

Staggered Holiday Spending

THE Bank of England should soon be able to reverse the special holiday increase of £25 million, to £1,625 million, in the fiduciary issue; in fact, it is possible that the increase was not actually necessary, for on both the Wednesday before the Bank holiday (when the peak was reached) and on the Wednesday after it the active note circulation stood at between £1,598 million and £1,599 million. Although this new peak is £84 million higher than the corresponding peak just before the Bank holiday last year, public demands for new cash have, in fact, been smaller in this holiday season than in the summer of 1952. In the five weeks from the beginning of June to July 29, the outflow of notes from the Bank of England amounted to only £55.2 million, compared with an outflow of £95 million in the corresponding period of last year. The comparison is, of course, distorted by the influence of the Coronation, which must have been largely responsible for the disproportionately large increase in the active note circulation in the spring and early summer of this year. This was followed by some reflux of notes in the first half of June; but as some notes were probably kept back by the banks and the general public in reserve against holiday spending, part of the true holiday demands never reached the Bank of England in June and July. In all, however, despite the higher level of prices and wages, the expansion in the note circulation in the six months from the January "low" to the end of July was almost exactly

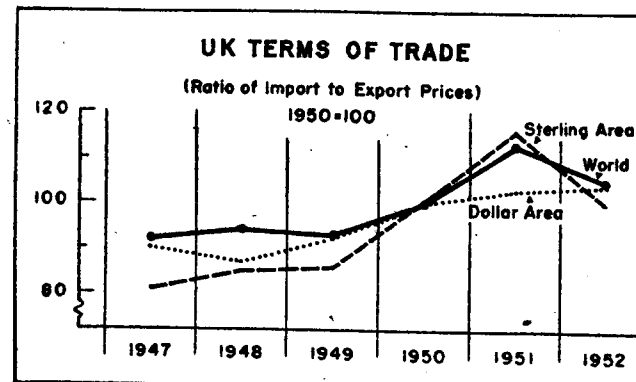
the same this year as last (at roughly £150 million). This suggests both that the strong upsurge in cash spending that was in progress from last autumn to early this summer may have lost some of its force and that holidays have been more evenly staggered this year.

These hypotheses are confirmed by the small savings figures. Although net repayments of national savings certificates, of defence bonds and of deposits at the post office and trustee savings banks (but excluding defence bonds paid off on maturity) amounted to £16.8 million in the two weeks to July 25th, this was still £2.9 million less than the shortfall in the corresponding period of 1952. Moreover, the small savings position has been more satisfactory for the whole year; the cumulative deficit since the beginning of the financial year—when the improvement over 1952 first became marked—now stands at only £27.4 million. This is almost £10 million less than in the corresponding 17 weeks of 1952. This improvement has been entirely concentrated in national savings certificates and defence bonds; the net repayment of deposits at the savings banks have increased quite substantially—apparently because the public, unlike the Chancellor, considers that an interest rate of 2½ per cent, subject to taxation and to a tax probe, has become anomalous in present conditions.

Bidding for Bodies

THE bid made by the British Motor Corporation for the ordinary shares of Fisher and Ludlow, the motor body and component manufacturers, has much more intriguing implications than did Ford Motor's recent and similar purchase of Briggs Motor Bodies. Although BMC has had a number of contracts with Fisher and Ludlow for some time, Standard Motor has also been among Fisher and Ludlow's principal customers.

British Motor has assured the directors of Fisher and Ludlow that the present management will remain unchanged, that the future trading policy of the company will be materially unaffected, that all contracts will be fulfilled, that "the policy of diversification of output . . . will be continued" and that all inquiries and orders (whether from members of the motor industry or not) will receive the same attention as before. Clearly, then, there will not be any early manufacturing ties between British Motor



Source: Board of Trade Journal, August 1, 1953.

and Fisher and Ludlow as close as those already established between Ford and Briggs, and the odd situation now arises that a subsidiary of the giant of the motor industry will be producing bodies for one of its main competitors.

In response to the bid, Fisher and Ludlow's 10s. ordinary stock units were marked up 4s. 3d. to 52s. 3d. and British Motor's 5s. ordinary shares were marked down 6d. to 6s. 4½d. This fall in the shares of British Motor was to be expected in view of the proposed dilution of its equity; five new British Motor shares as well as 22s. in cash will be given for every 10s. ordinary stock unit of Fisher and Ludlow. The 1,277,808 Fisher and Ludlow shares will be sold ex the dividend of 22½ per cent just declared for the year to March 31st last but the new British Motor shares offered in exchange will not rank for the final ordinary dividend to be paid by British Motor for the year to July 31st last. Once these factors are taken into account, the offer, on the basis of the present price of 6s. 4½d. on the British Motor shares, is worth about 54s. for every ordinary stock unit in Fisher and Ludlow. It is not surprising therefore that Fisher and Ludlow's directors have agreed "in principle" to the offer, even though they had announced as recently as July 23rd that no offer had then been received. But it is also not surprising that that ill-timed announcement of July 23rd has caused some heartburning among those who had sold out after the Birmingham stock exchange had brought the price of the shares up from 37s. 3d. to 48s. within a month.

How Private are Cotton Spinners?

How private is the private spinner of raw cotton? The debate on cotton import policy in the House of Commons last week gave two answers. According to the Labour speakers, if he buys his cotton through the public agency, he somehow ceases to be private and it then becomes proper that the Raw Cotton Commission should provide him with cover facilities on the back of public funds. Only the spinner who does not buy from the Commission, on this view, is really "private." It then follows that public funds should not be used to cover the "mistakes, possibly the speculative mistakes," of the private buyer.

Government speakers took the more realistic view that a person "spinning for private profit" should not have cover from public funds, however he buys. This hair-splitting is mercifully not quite so silly as it sounds for both sides of

INDEX

The Index to *The Economist* is now published quarterly. The subscription rate is 5/- a year; single copies are priced at 2/- each. The Index to Volume CLXVII (April to June, 1953) is now available from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

the House accepted the conclusion of the Hopkins Committee that public funds should not be used to cover private trade; each was trying to spell out the Committee's report in its own terms by defining what "private trade" should mean.

The Government believes that means of providing cover for raw cotton from private resources must be found. Labour asserts that there is no alternative to public cover; the Raw Cotton Commission will therefore have to be restored to its former splendour, and private import of cotton brought to an end. The President of the Board of Trade, without committing himself at this stage, appeared to indicate that the most feasible means of providing cover would be to reopen the Liverpool Cotton Exchange on a modified basis. To avoid a loss of dollars, traders would not be allowed to take delivery of dollar cotton for payment in sterling on a maturing futures contract—as in the futures markets for grain. Mr Thorneycroft accepted the argument that unrestricted operations on a Liverpool market were not possible since they would require convertibility of sterling. He did not think that cover should be provided by hedging operations on the New York market, because this would cost dollars. The idea that cover might be provided by a futures market in Lancashire not based on raw cotton was "entirely new, and requires very careful study." The debate also suggested that, whatever may be the views of spinners next year, the Government may have to continue the Commission in being, as a purely merchanting body, as the political price for reopening the Liverpool market.

Debate about Standards

It is more than fifteen months since the President of the Board of Trade told the House of Commons that the textile and clothing industries expected to introduce their own voluntary standards of quality to replace those that died with the utility schemes, and that these new standards would be administered by the British Standards Institution. Since then the BSI has been in the unenviable position of an umpire who has bumpers bowled at him by both teams. Some textile producers have become openly hostile to the idea of any standards at all; others have argued interminably over points of detail; and all the time the BSI has been made aware of the anxiety in official quarters to see some tangible results emerging from the protracted negotiations.

The Institution has now taken the unusual step of publishing a progress report on the discussions, on their failures as well as on their successes. It is clear from this that the BSI is not very satisfied with the way that things have turned out. It reveals that the textile industries have decided against standards intended to give a broad indication of the general level of quality of certain classes of goods, and in favour of standards related specifically to certain properties—such as the limits of shrinking or fading that might reasonably be permitted. There are good reasons for this decision, but the BSI reports sadly that "no one pretends that non-technical buyers of consumer goods are yet sufficiently informed or protected from misrepresentation on factors which they are quite unable to assess for themselves at the time of purchase."

The BSI has had two main successes: in the general



Today's da Vinci needs TOMORROW'S ALLOYS

In Leonardo da Vinci's 450 year-old notebooks can be found sketch designs for flying machines, dredgers, machine tools and many other ingenious mechanisms. Many of da Vinci's most advanced designs were not put to the practical test in his lifetime because materials then were not good enough. Today the designer can turn to the metallurgist for help. Together they can look ahead to projects which in a few years time may depend on materials not yet commercially developed. Mond Nickel is working now on such problems in the field of nickel alloys. Now is the time for designers to . . .

CONSULT MOND NICKEL



THE MOND NICKEL COMPANY LIMITED

SUNDERLAND HOUSE • CURZON STREET • LONDON • W1

22/8/53



Habib Bank Limited

Established 1941

Head Office: KARACHI (Pakistan).

Authorised Capital ...	Pak. Rs. 20,000,000
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 31/12/52 ...	Pak. Rs. 345,700,000

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Ltd., with 45 branches spread over West and East Pakistan, can prove to be most helpful and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

OVERSEAS BRANCHES: Bombay, Calcutta (India)
Colombo (Ceylon) and Rangoon (Burma)

CORRESPONDENTS & AGENTS at all important cities of the world.

BANK MELLI IRAN

(NATIONAL BANK OF IRAN)

Incorporated by Law in 1927

HOLDER OF EXCLUSIVE RIGHT OF
NOTE ISSUE

CAPITAL FULLY PAID	Rials 2,000,000,000.00
RESERVE (Banking Dept.)	Rials 429,598,382.95
RESERVE (Issue Dept.)	Rials 170,401,617.05

Governor and Chairman of Executive Board:
DR. MOHAMMAD NASSIRI.

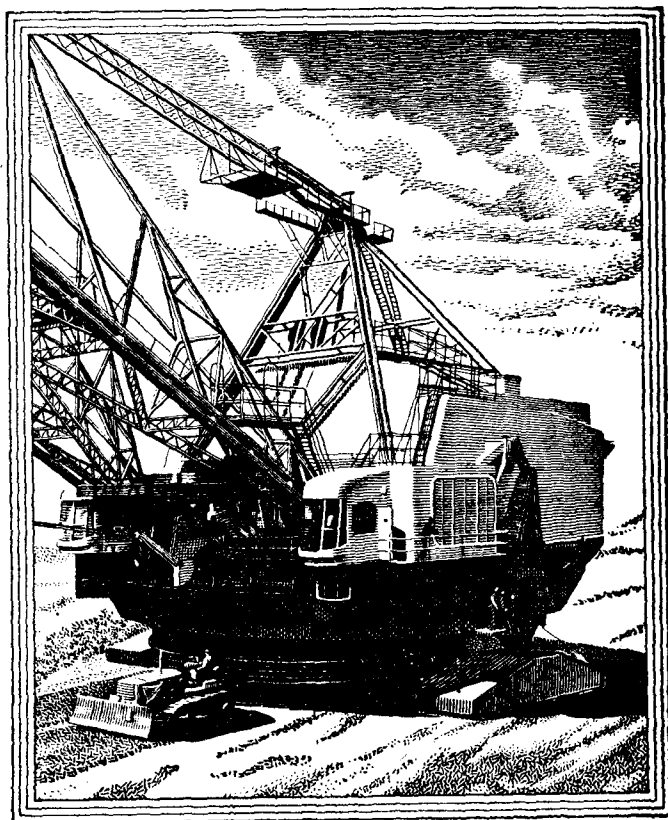
HEAD OFFICE: TEHRAN, IRAN (Persia)
Over 190 Branches and Agencies throughout Iran

New York Representative:
One Wall Street, New York

CORRESPONDENTS IN IMPORTANT
CENTRES ALL OVER THE WORLD

The Bank, through its Banking Department, offers complete banking service for Foreign Exchange Transactions, provides special facilities for Documentary Credits, etc., and with its numerous Branches in Iran deals with every description of banking business. Especial services for all kinds of information regarding import, export and trade regulations in force in Iran.

ADMINISTERS NATIONAL SAVINGS



There's a future in STEEL

THE WORLD'S largest walking dragline is in operation in the open-cast iron ore quarries at Corby. It weighs 1,650 tons, has electric machinery totalling 3,150 h.p., stands as high as Nelson's Column and walks to work on two steel shoes that weigh 56 tons each. A special high-tensile fine-grain steel was evolved to help make the 282-foot jib.

This Wellsian machine completely dwarfs the bulldozer working with it. It was designed and built in this country by Ransomes and Rapier Limited to strip overburden that no other single machine could cope with. With one man in control it bites out twenty-seven tons of earth every minute, deposits it nearly two hundred and sixty feet away and can work right round the clock. It is laying bare seams down to a hundred feet.

In this and other ways the steel industry is increasing its raw material supplies, both at home and abroad, to keep pace with the industry's continuous programme of modernisation and expansion.

● Issued by the BRITISH IRON AND STEEL FEDERATION
Steel House, Tothill Street, London, S.W.1

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 £75,000,000

RESERVES EXCEED £3,000,000

acceptance by the furniture trade of tests to show whether a piece of furniture will stand up to normal daily use, and in the acceptance by Bradford of descriptive labelling for wool textiles. For many years, the wool industry had refused to consider a general scheme to indicate whether a cloth was all-wool, or a mixture of wool and other fibres; and much diplomacy was needed to reach the present agreement. In future, the terms "wool," "woollen" and "worsted" will be used only to describe cloth that contains at least 90 per cent by weight of wool. If the cloth is a wool mixture, then it may be described as a "blended woollen or worsted" if it contains more than 50 per cent of wool; as a "fibre-blend with wool" if it contains less than 50 per cent. Although the use of these terms is voluntary, and manufacturers are not obliged to describe their cloths in this way, they will in future be open to prosecution under the Merchandise Marks Act if, for example, they call a cloth "woollen" when it does not conform to these definitions.

Dividends from Germany

WHILE Western Germany is piling up balance of payments surpluses with the rest of the world—another surplus of \$52.9 million was secured with other EPU countries in June, carrying its cumulative surplus with the Union to \$577.3 million—the German authorities are still showing considerable reluctance about allowing the transfer abroad of current earnings from foreign investments in Germany. This is a matter that will become of immediate urgency as soon as the German external debt agreement comes into force, as it will do in the very near future. From that moment the prohibition on transfers of current earnings on foreign investments, which was enacted by the occupying military authorities, will finally lapse; and the Federal Government will be left with full discretion in this matter. When Germany became a member of the Organisation for European Economic Co-operation it undertook the obligation, common to all other member countries, to make foreign exchange available for transfer abroad of current earnings in Germany; it was agreed, however, that this obligation should be held in abeyance for a short time, in view of Germany's desperate financial situation and heavy monthly balance of payments deficits at that period. As this position gradually improved and as the deficits were turned into equally impressive surpluses, broad hints were dropped from Paris that a start should be made on the transfer of current earnings. Germany replied that it would like very much to comply with these suggestions, but that its hands were unfortunately bound in this respect by military government legislation.

Now that these shackles on Germany's financial autonomy are about to be removed, the German Government is having second thoughts about its readiness to comply with its OEEC obligations. It is understood that the German delegate on the Council of OEEC is proposing that when transfer of current earnings begins, this should be limited to the transfer of earnings from foreign investments made prior to July 15, 1931, the day when the Standstill Agreements came into effect and Dr Schacht's blocked marks were born.

Germany's Capacity to Pay

IT is difficult to believe that this proposal is being made seriously, or in any spirit other than that of the orient bazaar. Its acceptance would deny the benefits of free transfer to the earnings on all investments that have been made in Germany by way of blocked marks, and would thus perpetuate a system of differential exchange rates that fits very ill with Germany's oft-proclaimed allegiance to liberal economic principles with its current balance of payments. The surplus on Germany's foreign trade amounted to DM 700 million in 1952 and the gold and foreign currency reserves of the Bank Deutscher Länder increased in that year from just over DM 2,000 million to nearly DM 5,000 million. Since then the reserve has risen further to just over DM 5,500 million.

It is true that when the external debt agreement comes into force Germany will be obliged to transfer a maximum of DM 567 million a year up to 1958, and that thereafter this sum will rise to a maximum of DM 765 million; this is exclusive of the German-Israel restitution agreement, which at present requires DM 200 million a year. It is estimated that some DM 12,000 million of foreign capital is now invested in Germany (other than the amount covered by the external debt agreement), and that if the profits on this capital were freely transferable an annual sum of DM 500 million might be required in foreign exchange. All these are maximum figures, and it is improbable that Germany would in fact be called upon to find as much as DM 1,000 million net in foreign exchange under all these heads in any normal year; this is about half the annual rate of increase in Germany's gold and foreign exchange reserves since 1951. There do not seem to be any grounds on which the Federal Government can justify the proposal that it is making to OEEC—not, at any rate, if it is to nurture any hopes about reinstating Germany's external credit and encouraging further investment of foreign capital in that country.

Who Has Liquid Assets?

THE question of who holds liquid assets is in many ways even more important for the stock exchange than who holds shares; for scurrying movements into or out of these liquid holdings are one of the main forces that drive market prices up or down. The savings survey in the current *Bulletin* of the Oxford Institute of Statistics (whose findings on share ownership were discussed in *The Economist* a fortnight ago) has thrown some new light on the probable distribution of this *masse de manœuvre*. Outside estimates suggest that total personal holdings of liquid assets (excluding currency) may have amounted to just over £9,000 million at the time that this survey was made in the spring last year. There were £1,726 million of national savings certificates then outstanding, £877 million of defence bonds, perhaps £3,000 million of deposits at savings banks, £1,290 million of shares and deposits at building societies, £227 million of shares and deposits at co-operative societies and (at a reasonable guess) perhaps

£2,000 million of the £6,500 million odd of deposits at the joint stock banks were held by persons rather than business concerns.

The liquid assets traced by this survey, however, when multiplied by the appropriate figure for the size of the sample, came to only £5,270 million; some part of the gap between this figure and the outside estimate of over £9,000 million may be accounted for by the holdings of people abroad, of executors, non-profit making organisations and business enterprises—but it is obvious nevertheless that some ordinary personal holdings have slipped through the survey's net. The author of the article and director of the survey, Mr H. F. Lydall, believes that many of these missing holdings may have been held by the relatively rich; the well-to-do were apparently more inclined than the working classes to regard the questionnaires as an unwarrantable intrusion on their privacy.

SHORTER NOTES

The Monopolies Commission has completed its report upon the facts of the export and supply in Britain of certain semi-manufactures of copper and copper-based alloys. The President of the Board of Trade announced last week that he had asked the Commission to report further whether the conditions revealed operate, or could be expected to operate, against the public interest. Reports from the Commission on imported timber and on the printing of woven fabrics are expected before the end of the year; the Commission has four specific subjects under investigation at present, including a new directive to examine the supply of hard fibre cordage, and to report both about the facts of the matter and about the bearing of the facts on the public interest.

Company Notes

CABLE AND WIRELESS. The annual report of Cable and Wireless Ltd, the nationalised telecommunications concern, was published this week in the form of a white paper [Cmd. 8913]; these accounts are, of course, to be sharply distinguished from those of Cable and Wireless Holding, the private enterprise company which has arisen from the ashes of the pre-nationalisation business and which now functions, in effect, as an investment trust. As an appropriate preface to the report of the publicly owned Cable and Wireless Ltd for the year to March 31st came the announcement that this company's 50.6 per cent shareholding in the Canadian Marconi Company had been sold to English Electric. This purchase, which at the current price quoted for the Canadian Marconi shares would cost English Electric about £3 million, will mean that Canadian Marconi will be reunited through the parent company with Marconi Wireless Telegraph; the company will continue to be run by Canadian executives as a Canadian enterprise but the new arrangement should help to widen the markets for British-made Marconi products across the Atlantic.

The severance of Canadian Marconi

from Cable and Wireless Ltd. is a logical step; since the Canadian Government took over Canada's overseas telecommunications facilities in 1950, the business of the two concerns has been very different. But the sale also comes at a convenient moment for Cable and Wireless. In order to finance development and renewals last year the company had to sell over £800,000 of Government and other securities (at a net loss); and the directors reveal in Cmd. 8913 that since the end of the financial year further realisations of investments have had to be made. In addition, the company has had to borrow £450,000 from the banks and to run its cash balances down from £1,830,286 to £1,166,982. The receipts from the sale of Canadian Marconi will obviously ease the company's task of meeting its outstanding capital commitments, which at the end of last March were estimated at £3,122,000 (compared with £2,200,000 the year before).

Fortunately, this heavy development expenditure is taking place at a time when the course of the company's profits looks more promising than it did a year ago. The company's operating receipts improved in the last financial year from

Burmah-Shell Refineries Limited (a new company incorporated in India and jointly owned by Shell and Burmah Oil) has under construction on Trombay Island, Bombay, an oil refinery of 2 million tons a year capacity. This new plant, when completed early in 1955, will be the largest in India; it will process crude oil from the Middle East, and will supply a considerable proportion of India's requirements of petroleum products including petrol, kerosene, diesel oils, furnace fuels, and bitumen.

The value of sales of wholesale textiles during the first half of the year was about 6 per cent higher than during the same period of 1952. Sales in June reached 70 (1950=100), a seasonal fall of 20 points from the May figure, but 7 points higher than in June last year. The amount of wholesalers' capital that is locked up in stocks continues to be much smaller than it was last year; the stock index in June stood at 89, compared with 107 twelve months earlier.

The Ford Motor Company has cut the price of the diesel-engined Fordson tractor by £40 from £536 15s. (without hydraulic lift) to £496 15s. Tractors with petrol or vaporising oil engines (both are cheaper than the diesel version) remain unaltered. Prices of the heavier Ford commercial vehicles have been cut by up to £24.

A new agreement has been ratified between the Turkish Government and the Ottoman Bank, whereby the bank, while retaining its registered branch in Istanbul, will be treated by Turkish law as a foreign bank operating in Turkey. The agreement, which will remain in force until 1975, is regarded by the chairman, Lord Latymer, as "a fair one which will prove to be satisfactory to both parties."

£10.2 million to £11 million; and so did its gross profits before tax, from £1,481,649 to £1,777,806. These increases appear to be due almost entirely to the higher charges paid on telegrams, for the total volume of traffic carried by the com-

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Operating receipts	10,229,911	11,019,963
Total receipts	10,929,044	11,753,658
Working expenses	5,256,078	5,601,762
Maintenance and repairs	1,800,290	1,698,525
Other charges	2,391,027	2,675,565
Gross profit	1,481,649	1,777,806
Taxation	1,016,989	1,235,771
Dividend	393,750	495,000
Added to carry forward	70,910	47,035
Cons. balance sheet:—		
Total fixed assets	21,982,573	22,366,155
Total current assets	21,040,982	20,822,238
Govt. and other secs.	13,732,040	12,861,095
Cash	1,830,286	1,166,982
Bank loan	—	450,000
Reserves	5,440,781	6,275,252
Issued capital	30,000,000	30,000,000
* 2½ per cent. † 3 per cent. ‡ Market value was £11,494,106. § Market value was £11,162,894.		

pany's telegraph system declined for the first time since 1947, by about 7 per cent. This decline ran parallel to the ebb in international trade last year and, as might be expected with the change in the economic climate, traffic in the first months of this year showed a slight increase. But it is upon the higher charges for telegrams rather than upon an increase in traffic that the directors appear to base their estimate that "a slightly

higher profit" will be made in the current year. Whether this profit will be sufficient to allow the company to restore the dividend paid to the Government to its old level of 4 per cent remains to be seen; but, at least, the directors have taken a step along this road by raising the dividend from 2½ per cent (the rate to which it was cut a year ago) to 3 per cent.

★

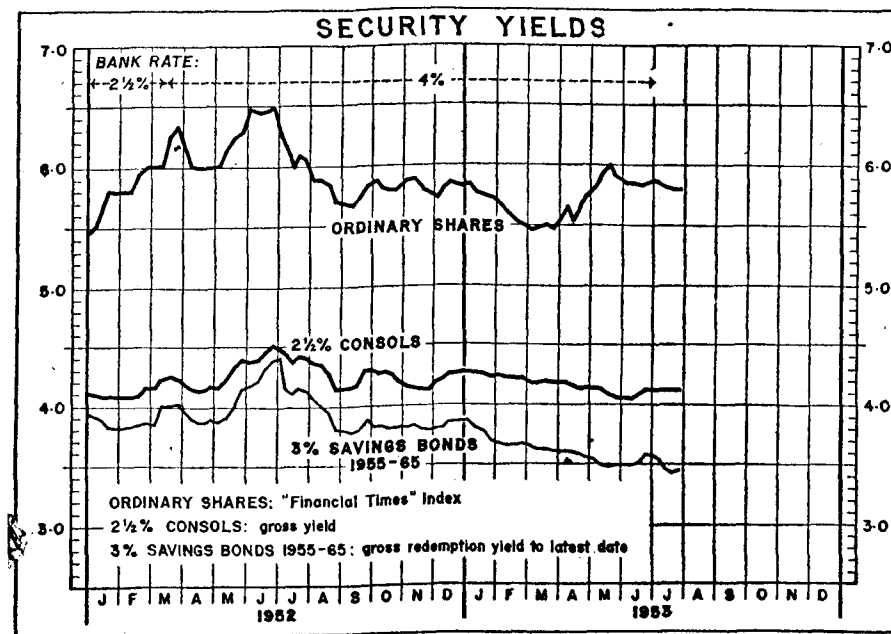
NCHANGA. The publication of the full accounts of Nchanga Consolidated Copper Mines (which is under the wing of the Anglo-American Corporation) coincided with the first free dealings in copper on the London Metal Exchange. The fall in prices recorded in those dealings suggests that the next accounts of Nchanga will have a much less ebullient story to tell than those just published. Indeed, this report, for the year to March 31st last, may well record the peak of the boom in the Rhodesian copper belt. Everywhere it tells of fresh records—in production (the weight of copper sold rose from 79,499 to 90,150 long tons), in revenue (receipts from sales rose from £16,184,816 to £22,004,471) and in profits (which advanced from £9,982,246 to £14,042,101). This increase in profits, although accompanied by an increase in the provision for Rhodesian taxation, enabled the directors not only to raise the ordinary dividend from 10s. to 15s. on each £1 stock unit but also to appropriate £3,100,000 (against £2 million) to general reserves—an appropriation that enables the company to continue to finance its development programme from its own resources.

The progress of development in Nchanga's mines and plants can be measured by the expenditure of over £3½ million on buildings and machinery, and its results can be traced in the increase in production. The chairman, Sir Ernest Oppenheimer, expects yet another increase in production in the current year,

when the third stage of the company's development programme will be completed; but he adds the important proviso that this increase will depend upon adequate coal supplies and freedom from industrial disputes (such as those that brought work in the copper belt to a halt last autumn). Any further difficulties in obtaining fuel and any demands for higher wages, by adding to costs, will

	Years to Mar. 31, 1952	1953
Earnings:—		
Sales receipts	16,184,816	22,004,471
Total receipts	17,353,201	23,754,114
Operating costs	4,946,806	7,200,898
Depreciation	443,036	575,207
Profit, before tax	9,982,246	14,042,101
Taxation	3,726,646	5,293,576
Net profit	6,255,600	8,748,525
Ordinary dividends	3,500,000	5,250,000
Ordinary dividends (per cent)	50	75
Sales equalisation reserve	750,000	—
General reserve	2,000,000	3,100,000
Added to carry forward	5,600	398,525
Balance sheet:—		
Fixed assets, etc., less depreciation	9,654,474	12,480,572
Development account	929,995	1,081,486
Stores	2,215,946	2,759,436
Copper stocks	1,168,385	1,749,643
Cash	6,475,168	8,259,050
Reserves	7,331,737	10,830,262
Ordinary capital	7,000,000	7,000,000
£1 ordinary stock at £6½ yields £12 4s. per cent.		

reduce profits as directly as the fall in copper prices. It therefore seems virtually impossible that Nchanga's profits will be maintained this year; and although last year's ordinary dividends absorbed only £5½ million out of net profits of £8½ million, the recent fall in the price of the £1 ordinary stock units—in line with the declines recorded in the shares of the other copper producers—from 6½ to 6 and the yield of 12.2 per cent offered at this price suggests that the market is far from certain that dividends will be maintained either. But it should be remembered that Nchanga, like other low cost producers in Rhodesia, ought to be less vulnerable to the fall in copper prices than producers elsewhere in the world.



LONDON STOCK EXCHANGE

Next Account begins: August 19th.
Next Contango Day: August 19th.
Next Settlement Day: August 11th.

THE stock markets were in a cheerful mood both at the end of the holiday account and the beginning of the new one. Prices in the gilt-edged and industrial markets responded to the advances recorded on Wall Street and to the further increase in the gold and dollar reserves in July. It was this last factor that encouraged a little extra demand for the Funds on Tuesday and Wednesday and enabled the market, after only a slight pause, to take the news of the Gas Council's issue of £80 million of a 4 per cent stock (1969-72) at 99 in its stride. After the Bank Holiday most of the medium and long-dated gilt-edged stocks gained between ½ and ¾ of a point, and in the two days' trading to the close on Wednesday old Consols rose by ¼ to 61. Similar improvements were made by Colonial and Home Corporation issues, with the new Ayr loan improving to ½ premium. Banking and insurance shares followed the lead set in the gilt-edged market. In the foreign market Japanese bonds, particularly the dollar issues, were well supported; so were German issues, especially after the announcement that a delegation was to visit this country to discuss the settlement of the Potash debts. A certain amount of speculative support was also given to Hungarian and Bulgarian issues.

Almost all the leading equities shared in the advance in prices, and in the two days after the Bank Holiday the *Financial Times* ordinary share index rose from 120.5 to 122.0. Engineering, electrical equipment and stores shares were in the van of this advance, and the demand for oil shares was particularly strong; in the two days to Wednesday's close Anglo-Iranian jumped from 6½ to 7½ on suggestions that the company may make a bonus issue of shares. Rubber shares held firm, but tea shares tended to drift lower. Kaffirs remained firm, but copper shares, which had improved at the end of the old account, were marked down substantially after the fall in the price of the metal when free dealings began in the London market.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
July 29...	120.3	108.67	4.12	5.80
" 30...	120.3	108.72	4.12	5.80
" 31...	120.5	108.75	4.12	5.80
Aug. 3...	(a)	(a)	(a)	(a)
" 4...	121.2	108.80	4.11	5.77
" 5...	122.0	108.82	4.10	5.73
1953, High.	125.0	108.82	July 29	6.873
" Low.	113.9	105.68	" 30	7.106
(May 20)	(Jan. 5)	(Jan. 5)	" 31	7.011
			Aug. 3	(a)
1952, High.	121.5	106.66	" 4	8.909
" Low.	103.1	100.67	" 5	7.724
(June 24)	(July 3)			

* July 1, 1925=100. † 1928=100. (a) Closed.

LONDON ACTIVE SECURITIES

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

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	July 11th	British Commonwealth	July 11th
Manpower.....	July 18th	Western Europe : Prices and Money Supply	July 18th
External Trade.....	July 25th	United States	July 25th
Financial Statistics	This week		
Industrial Profits.....	Aug. 1st		

Prices and Wages

		1950		1951		1952		1952			1953								
Unit		mid-June				July 16		July 23		July 30		July 14		July 21		July 28		Aug. 4	
WORLD PRICES																			
The Commodity Price Indicator:																			
1952=100		90	126	99	97	97	96	90	90	90	91								
All items.....		90	114	100	101	100	101	97	97	97	99								
Food.....		101	167	99	92	91	88	85	86	87	87								
Fibres.....		75	99	100	100	100	100	78	79	79	78								
Metals.....		97	131	96	94	92	92	98	99	96	96								
Other items.....																			
		Monthly averages				1952			1953										
		1950	1951	1952	April	May	June	March	April	May	June								
BRITISH WHOLESALE PRICES																			
Old series:																			
1938=100		258.7	315.0	323.3	325.3	323.2	322.9	323.6	328.3	326.1	325.5								
Food and tobacco.....		227.3	253.9	292.0	288.0	287.3	290.5	308.6	325.2	324.1	322.8								
June 30, 1949=100		138.6	193.3	162.1	164.7	162.1	160.0	151.0	149.1	148.3	147.0								
Non-food manufacturing.....		113.2	134.3	149.9	152.6	151.7	151.6	147.9	145.9	143.4	143.1								
Mechanical engineering.....		122.0	151.9	165.4	166.3	165.5	167.6	160.4	156.5	151.2	150.8								
Electrical machinery.....		106.1	125.6	133.6	137.3	134.9	133.4	131.0	130.7	130.2	130.2								
Building and civil engineering.....		105.2	123.0	130.6	133.4	131.8	130.5	129.2	129.0	128.8	128.6								
House building.....																			
June 30, 1949=100		156.8	223.2	171.9	179.1	174.3	165.9	138.3	137.2	139.4	140.0								
Commodities:																			
Cotton, raw.....		195.8	252.3	147.9	125.6	141.6	146.8	168.1	174.8	182.4	174.9								
Wool, raw.....		324.6	499.1	282.8	320.4	262.0	263.2	219.2	201.9	210.8	202.7								
Rubber, No. 1 RSS, one month future.....		96.3	143.5	158.0	168.0	163.3	151.8	151.3	150.1	146.6	143.7								
Softwood, imported.....		152.2	187.5	220.7	196.6	196.6	219.3	241.7	233.7	215.2	214.5								
Copper, H.C. electrolytic, delivered.....																			
UK RETAIL PRICES																			
Interim index:																			
June 17, 1947=100		114	125	136	135	135	138	140	141	140	141								
All items.....																			
Jan. 15, 1952=100		...	...	102.6	102.2	102.2	103.9	105.4	106.4	106.0	106.6								
Food.....		...	...	105.4	103.9	104.4	108.7	110.7	112.5	112.7	113.8								
1938=100		185	202	221	220	220	223	227	229	228	229								
All items.....		172	191	221	218	219	228	232	236	236	238								
Food.....		114	119	122	122	122	123	125	130	130	130								
Rent and rates.....		216	249	259	265	262	259	253	253	253	253								
Clothing.....		161	177	197	197	193	195	208	209	203	205								
Fuel and light.....		245	288	294	297	296	294	290	290	283	282								
Household durable goods.....				255	254	255	255	256	256	256	256								
Drink.....		314	318	386	386	386	386	387	387	387	387								
Tobacco.....																			
Purchasing power of £ (based on all consumer spending).....		1938=100	52	48	44	44	43	43	42	43	42								
UK TERMS OF TRADE																			
Import prices:																			
1952=100		76	102	100	104	103	101	91	90	88	87								
All items.....		83	96	100	102	103	102	97	98	98	97								
Food, drink and tobacco.....		71	110	100	106	103	100	86	84	82	80								
Raw materials.....																			
Export prices:																			
1952=100		81	95	100	101	101	101	97	97	97	96								
All items.....		80	95	100	101	101	101	97	97	97	97								
All manufactures.....		80	89	100	99	99	101	100	101	100	100								
Metals and engineering goods.....		84	110	100	106	104	99	92	91	91	92								
Textiles and clothing.....																			
Terms of trade:																			
Ratio of import to export prices.....		1952=100	95	108	100	103	102	100	94	93	91								
SHIPPING FREIGHTS																			
Tramp shipping freights (fixed in sterling)																			
1948=100		84.0	173.7	110.6	109.4	110.9	99.1	96.2	100.9	97.4	95.3								
UK WAGES																			
Weekly wage rates:																			
June 30, 1947=100		111	120	130	128	129	129	135	135	135	135								
All workers.....		110	119	129	127	128	128	134	134	134	134								
Men.....		114	123	133	131	132	132	139	139	139	139								
Women.....																			
Weekly earnings:																			
s. d.		128 0	141 1	151 11	147 3	...	...	...	...	...	...								
All workers.....		150 5	166 0	178 6	173 7	...	...	...	...	...	...								
Men.....		82 7	90 1	96 4	92 2	...	...	...	...	...	...								
Women.....						...	...	...	...	...	...								
Oct. 1938=100		240	265	285	277	...	...	...	...	...	...								
All workers.....		218	241	259	252	...	...	...	...	...	...								
Men.....		254	277	296	284	...	...	...	...	...	...								
Women.....						...	...	...	...	...	...								

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	161	89	80	67	63
1951	179	118	121	125	218	171	130	144	128	119	112	115
1952	181	114	116	131	231	170	123	147	130	119	110	133
1953												
February	172	111	120	131	232	162	...	143	127	134	111	...
March	175	112	124	129	241	169	...	159	144	133	115	...
April	...	115	121	129	249	175	...	152	142	128	118	...
May	...	...	123	131	244	...	...	...	...	131	...	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	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												
February	1,025	9,018	576	131.09	1,177	325.0	14.18	120.25	574	556	596	107.9
March	1,107	10,782	600	130.99	1,277	411.9	17.00	130.30	740	643	669	112.3
April	1,092	9,893	539	132.87	1,252	502.9	14.68	126.38	672	495	688	112.9
May	1,232	9,615	...	111.43	1,237	...	...	127.40	698	...	681	113.3

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £ T.
EXPORTS (f.o.b.)												
1938	30	1,808	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												
February	812	8,326	453	120.30	1,228	184.2	7.68	70.91	544	279	461	97.6
March	970	9,614	577	120.49	1,474	139.9	10.36	76.13	681	330	555	110.1
April	903	9,242	444	126.55	1,526	156.4	7.70	73.44	679	283	594	88.6
May	1,028	9,163	...	115.45	1,428	...	...	72.50	580	...	582	101.5

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	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	-20.8
1952	-263	-39	-67	-14.60	+59	-283.0	-5.94	-48.46	-34	-183	-72	-45.0
1953												
February	-213	-692	-123	-10.79	+51	-140.8	-6.50	-49.34	-29	-278	-135	-10.3
March	-138	-1,168	-23	-10.50	+196	-272.1	-6.64	-54.17	-59	-313	-113	-2.2
April	-189	-651	-95	-6.32	+274	-346.4	-6.98	-52.92	-7	-212	-94	-24.5
May	-204	-452	...	+4.02	+192	...	...	-54.90	-12	...	-99	-11.8

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £ T.
VOLUME OF EXTERNAL TRADE⁽³⁾ (1948 = 100)												
IMPORTS												
1938	266	93	118	102	242	...	79	92	118	100	94	91
1951	213	122	153	126	298	...	118	133	150	132	129	161
1952	217	118	148	129	241	...	97	146	132	128	119	221
1953												
February	190	103	169	138	226	...	101	150	123	142	111	176
March	232	122	...	136	251	...	121	168	153	156	...	201
April	230	...	...	146	251	...	...	162	...	136	...	...
May	...	...	...	119	247	...	...	...	...	123	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	124	111	108
1951	204	149	193	236	622	...	135	163	243	152	150	127
1952	202	137	185	208	670	...	163	140	255	140	132	155
1953												
February	217	121	202	222	605	...	150	135	218	137	118	181
March	267	145	...	226	735	...	147	143	282	159	...	207
April	245	...	...	236	766	...	...	145	...	148	...	...
May	...	...	...	218	731	...	...	...	...	126	...	...

(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; Austria, manufactured gas; and Norway, electricity. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade: Belgium includes Luxembourg. (3) Monthly average of first quarter.

EXCHEQUER RETURNS

For the week ended August 1st there was an "above-line" surplus (after allowing for Sinking Funds) of £33,325,000 compared with a surplus of £248,000 in the previous week and a surplus of £14,193,000 in the corresponding period last year bringing the cumulative deficit to £151,199,000 (£202,153,000 in 1952-53). Net expenditure "below-line" absorbed £8,055,000 raising the total cumulative deficit to £320,196,000 (£433,100,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Aug. 2, 1952	April 1, 1953 to Aug. 1, 1953	Week ended Aug. 2, 1952	Week ended Aug. 1, 1953
Ord. Revenue					
Income Tax	1782,250	355,415	333,839	15,357	20,622
Sur-tax	127,000	25,900	25,900	1,100	900
Death Duties	160,000	53,300	58,800	2,800	3,700
Stamps	52,000	17,550	17,900	900	1,300
Profits Tax & E.P.T.	214,000	112,400	62,400	12,000	3,900
Excess Profits Levy	99,500	...	17,850	...	900
Special Contributions and other Inland Revenue	1,000	700	330	70	...
Total Inland Rev.	2435,750	565,265	517,019	32,227	31,322
Customs	1044,300	342,328	354,251	14,833	20,699
Excise	680,480	239,007	226,685	36,720	32,755
Total Customs and Excise	1724,780	581,335	580,936	51,553	53,454
Motor Duties	69,000	8,610	10,087	763	829
PO (net receipts)	2,685	...	...	600	900
Broadcast Licences	16,000	3,300	3,900	...	...
undry Loans	25,000	5,786	6,201	...	...
discell.	95,000	31,570	43,886	323	15,768
Total	4368,215	1195,866	1162,030	85,486	102,273
Ord. Expenditure					
Debt Interest	615,000	170,239	169,854	18,183	17,380
Payments to N. Ireland Exchequer	48,000	11,714	14,920	31	...
Other Cons. Fund	10,000	4,124	4,167	45	38
Supply Services	3586,286	1203,000	1115,186	52,889	50,750
Total	4259,286	1389,077	1304,127	71,148	68,168
inking Funds	...	8,942	9,102	125	780
'Above-line' Surplus or Deficit	-202,153	-151,199	-141,933	-13,325	-13,325
'Below-line' Net Expenditure					
...	230,947	168,997	10,153	8,055	...
Total Surplus or Deficit	-433,100	-320,196	-404,066	-25,780	-25,780
Receipts (£ mn) from:					
Tax Certificates	40,948	81,509	32,429	16,204	...
Savings Certificates	11,600	8,000	...	600	...
Defence Bonds	35,548	23,346	1825	758	...

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Total Floating Debt
Date	Tender	Public Depts.	Bank of England
1952			
Aug. 2	3,020.0	1,430.3	264.4
1953			
Aug. 9	3,030.0	1,462.3	238.6
16	3,050.0	1,484.2	236.0
23	3,080.0	1,467.5	247.1
30	3,100.0	1,440.9	255.1
1954			
Aug. 6	3,130.0	1,461.9	244.6
13	3,160.0	1,483.0	239.0
20	3,180.0	1,385.0	277.6
27	4,597.8	252.3	5.0
1955			
Aug. 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
1956			
Aug. 1	3,250.0	1,424.3	227.0

Financial Statistics

THE MONEY MARKET

CREDIT has been fairly tight in Lombard Street in the week covered by Wednesday's Bank return. Considerable official help was needed on Thursday before the weekend and it was given both directly and indirectly through the banks. On Friday normal credit supplies proved just adequate, but on Saturday conditions tightened and small direct and indirect official purchases were made. Conditions eased somewhat after the Bank Holiday; official help was still necessary for some houses on Tuesday, but by Wednesday credit was adequate and the market could balance its books without any purchases by the special buyer.

Applications for the £250 million of bills on offer at last week's Treasury Bill tender reached the record total of £395.5 million—an increase of nearly £20 million over the previous week's applications. As a result, although the discount market maintained its bid at £99 8s. 3d., its allotment fell to 48 per cent of its application. At yesterday's tender, the offer rose to £260 million; but as matching maturities rose still further, the excess of new bills over maturities is likely to fall by £20 million to £20 million next week.

The Bank return shows a reflux of only £400,000 of notes in the week to Wednesday last. There was little change in the security portfolio in the banking department, but as public accounts were up by £10 million—possibly as a reflection of the large in-payments for Tax Reserve Certificates made last Saturday—bankers' deposits fell by £12.7 million.

London Money Rates

Bank rate (from 24% 11/3/52)	%	Discount rates	%
Deposit rates (max)	4	Bank bills: 60 days ...	3
Banks	2	3 months ...	3
Discount houses	2	4 months ...	3
...	...	6 months ...	3
Money—Day-to-day ...	2-2½	Fine trade bills:	...
Short periods ...	2-2½	3 months ...	4-5
Treasury bills 2 months ...	2½	4 months ...	4-5
3 months ...	2½	6 months ...	4-5

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills, the rate is 3½ per cent.

BANK OF ENGLAND RETURNS

	(£ million)		
	1952	1953	
	Aug. 6	July 29	Aug. 5
<i>Issue Department* :</i>			
Notes in circulation	1,508.4	1,598.8	1,598.5
Notes in banking dept.	42.0	26.5	26.9
Govt. debt and securities*	1,546.8	1,621.8	1,621.8
Other securities	0.7	0.7	0.7
Gold coin and bullion	2.9	2.9	2.9
<i>Banking Department :</i>			
<i>Deposits :</i>			
Public accounts	15.8	9.8	19.8
Treasury special account ..	18.2	38.4	38.4
Bankers	258.5	274.8	262.2
Others	66.6	67.5	67.8
Total	359.1	390.5	388.2
<i>Securities :</i>			
Government	285.8	343.9	342.3
Discounts and advances ..	17.6	10.7	9.6
Other	30.5	25.2	25.3
Total	333.9	379.8	377.2
Banking department reserve ..	43.5	29.0	29.4
%	%	%	%
" Proportion "	12.1	7.5	7.5

COLTHROP BOARD & PAPER MILLS, LIMITED

WORKING TO FULL CAPACITY

MR FRANK W. J. SMITH ON THE OUTLOOK

The thirty-fifth annual general meeting of Colthrop Board & Paper Mills, Limited, was held on July 30th at the registered office of the company, Thatcham, Berks, Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's statement which was circulated with the annual report and accounts for the year ended May 31, 1953:

Before dealing with the directors' report of the results of the past year I should like to pay a tribute to the memory of the late Mr Charles Priestley Forster, who passed away on Friday, June 12th, after 35 years of service with the company. His death is very deeply regretted by a wide circle of business friends and associates over many years. He acted as secretary of this company since its inception and in addition was a director for some years past. He was greatly respected by everyone for his ability and rigid adherence to honesty and truth in all his business relations. He will be greatly missed, especially by us all at Thatcham.

The profit for the year ended May 31, 1953, before taxation amounts to £264,239. Taxation including excess profits levy for the full year amounted to a total of £142,747, leaving the net profit of £121,492 for the year, after deduction of tax. After adding the balance brought forward from last year of £50,014, and deducting the net cost of the interim dividend of £24,563, there is a disposable balance of £146,943.

DISTRIBUTION OF 27½ PER CENT

The directors recommend the payment of a final dividend of 17½ per cent, which, with the interim dividend of 10 per cent paid in January last, makes a total of 27½ per cent for the year, compared with 25 per cent paid last year.

The sum of £30,000 appearing in last year's accounts as a reserve for possible loss on wood pulp contracts is no longer required for the purpose for which the reserve was made. This sum has, therefore, been transferred to general reserve and the directors now propose to appropriate a further sum of £60,000 to that account, making the total of the general reserve £270,000, and to carry forward a balance of £41,911, against £50,014 brought forward from last year.

The provision in the Budget to abolish excess profits levy is a step in the right direction, but greater tax relief is still necessary to enable industrial concerns to expand and to provide for their re-equipment.

I concluded my remarks last year by stating that we could not expect the profit this year to reach the high level achieved during the two preceding years, and in view of the difficult conditions which have existed during the past twelve months, I feel sure you will regard the results as very satisfactory. In fact, with the exception of these two previous years, which were abnormal, our profit is higher than it has ever been in the history of the company.

Trading conditions at the beginning of the year were far from satisfactory, due largely

to repeated falls which occurred in the prices of raw materials. In addition, orders were in many instances withheld by our customers until their stocks had been cleared or until conditions became normal.

I am glad to report that during the past six months trading conditions have become more stable. We are now working to full capacity and our order book could not be healthier.

In the absence of unforeseen circumstances I feel confident that the results for the current year will again prove satisfactory.

It gives me pleasure to express my appreciation and that of my co-directors of the loyal and valuable services of our staff, which have resulted in the encouraging figures before you.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman, addressing the meeting, said: Ladies and gentlemen, before commencing the business of the meeting, I wish to refer to the late Mr Charles Priestley Forster who had acted as secretary for this company from its inception and of latter years also as a director. His sudden decease came as a great shock to us at Thatcham and he is very greatly missed by us all.

An accident which unfortunately proved fatal occurred recently at the mill, which the directors very deeply deplore.

The acting secretary (Mr K. L. Collings) having read the notice convening the meeting and the auditor's report,

The chairman continued: As the report and accounts have been in your hands for the requisite time we will, with your permission, take them as read. (Agreed.)

The statement printed on the back of the report covers all the most important points, although it is not possible to cover everything, so I propose to pass at once to the resolution, after which I shall be very pleased to answer any questions you may wish to ask.

I now propose: "That the report of the directors and the accounts of the company for the year ended May 31, 1953, be, and they are hereby, approved and adopted; that a final dividend of 17½ per cent, less income tax, be paid to shareholders registered at the date of this meeting; that £60,000 be transferred to general reserve; and that £41,911, the balance of the profit and loss account, be carried forward."

Mr J. R. Henry, OBE (assistant managing director) seconded the resolution, and it was carried unanimously.

The retiring director (Mr J. R. Henry) was re-elected, and the fee of the auditors (Messrs Deloitte, Plender, Griffiths and Company) was duly fixed.

TRIBUTE TO CHAIRMAN, DIRECTORS AND STAFF

Mr F. E. Armstrong (a shareholder) said he was sure all shareholders would like to associate themselves with the sympathetic tribute that was paid by the chairman to the late Mr Priestley Forster, who was a man possessed of restless activity and tremendous

enthusiasm for the management side of the business. As the chairman had said, Mr Forster was respected by all and would be very greatly missed.

He would also like to propose a vote of thanks to the chairman, not only for presiding at the meeting, but also for steering the company through what was admittedly a very difficult year. A measure of the skill and foresight of the chairman and his board of directors was gathered from the experience of other firms in the paper and pulp trade. Whereas they found it necessary in some instances to bow their heads to the economic storm, in some cases to raise fresh capital, and in other cases to reduce their dividend, Colthrop Board and Paper Mills, Limited, had appeared serenely to ride the storm and had actually increased the dividend to the shareholders. He wanted to thank the chairman for bringing that result about, because it did not happen by accident, and he also wanted to thank his colleagues who had supported him and also the loyal staff who had made a material contribution to bringing about the successful year's trading.

Mr E. Davenport seconded the resolution and it was carried unanimously.

After a brief acknowledgment by the chairman, the proceedings terminated.

THE BRITISH BORNEO TIMBER COMPANY, LIMITED

REORGANISATION WELL UNDER WAY

The thirty-third annual general meeting of The British Borneo Timber Company, Limited, was held on July 30th, in London, Mr H. W. Horner (the chairman) presiding.

The following is an extract from his circulated address:

The year 1952 saw the start of the reorganisation of the company's undertaking in North Borneo in the altered circumstances of surrender, as from the end of June, of its concession and the inception of the exploitation of the new areas for which we have been granted a cutting agreement.

Our installations as a whole will be second to none in Asia, and the bandmill, with its complementary equipment, will be, we believe, quite outstanding.

The net expenditure in 1952 on buildings, sawmills, engineering works, machinery, production equipment, water craft, etc., totalled about £146,600. The total estimated capital expenditure for 1953 is £355,000.

Our operations last year were hampered by adverse weather generally, and by severe floods at either end of the year. This handicap affected all timber operations, and our 1952 production of timber was 2,258,900 cubic feet, rather less than the production for 1951.

Log sales showed a reduction in total of some 400,000 cubic feet due in the main to the severely restricted imports into Australia during the second half of the year and to the lower demand by the Japan market.

Sawn timber conversion was somewhat higher than in 1951 with the same milling facilities, but will be appreciably increased when the large modern bandmill can be brought into operation.

Under the terms of the agreement ratifying the arrangements for the termination of the company's 1920 concession, the Government have guaranteed that the aggregate of the net profits of the company for the three years

from July 1, 1952, to June 30, 1955, will not be less than the aggregate of the net profits for the three financial years 1948, 1949 and 1950.

The board recommend the distribution of the same amount of profit as last year, which equals, on the larger capital, 12 per cent, less tax at 9s. in the £.

The report and accounts were adopted.

CHARRINGTON, GARDNER, LOCKET AND COMPANY

EXTENSION OF ACTIVITIES

The fiftieth annual general meeting of Charrington, Gardner, Locket and Company, Limited, was held on August 6th in London, Sir John Charrington (the chairman) presiding.

The following is an extract from his circulated statement:

The accounts for the year show a group profit of £211,001, which is materially less than the record figure of £284,019 for the preceding year. To a considerable extent this reduction can be attributed to inactive conditions in the Port of London, and our lighterage trade suffered accordingly. We were affected also by the somewhat heavy fuel stocks held by industrial consumers at the beginning of the year, which reduced their requirements during the year under review.

The profit, after taxation, is £60,596, which is £21,265 less than last year's figure. We propose that the rate of dividend on the ordinary stock be maintained by the declaration of a final dividend of 12 per cent, less income tax, at 9s. in the £.

The results of the company for the last year are a good example of the effect of weather upon a business so largely occupied in selling the means of keeping warm. Our profits are reduced, compared with the previous year, but seldom, if ever, have I felt that the company has functioned better, been more active in extending its activities, or traded with greater efficiency while producing new ideas of promise for the future.

NEED FOR DECONTROL

The coal mines of this country have now been nationalised for 6½ years. The National Coal Board have had the support of all classes and parties in recognition of the stupendous task with which they were confronted. It must be admitted, however, that the progress made towards securing for the public the necessary quantity and quality of coal has been most disappointing.

It is devoutly to be hoped that the Government and the National Coal Board will be able, between them, to act with sufficient determination to reverse the present trend and thus pave the way for decontrol in the not too distant future.

I have reserved to the end of my statement what I regard to be the outstanding event of the year, the appointment of the company as sales agents in the area within which we trade for the fuel and gas oils which are now being produced by the Vacuum Oil Company at their new oil refinery at Coryton on the lower Thames. With the organisation of so well known a company as Vacuum behind us, we now expect our sales of fuel oil to advance rapidly; indeed, satisfactory progress has already been made.

However, shareholders must not look for an immediate and substantial increase in the company's profits as a result of this appointment.

The report was adopted.

OTTOMAN BANK

NEW AGREEMENT WITH TURKISH GOVERNMENT RATIFIED

LORD LATYMER ON PROFIT REMITTANCES

The eighty-sixth annual general meeting of Ottoman Bank was held on August 5th at Winchester House, Old Broad Street, London, E.C.

The Rt Hon Lord Latymer (the chairman) presided and, in the course of his speech, said: At the meeting last year you were told that the Turkish Government had given notice to terminate the Convention of 1933 and that a new Agreement had been signed which was to come into force on its ratification by the Grand National Assembly of the Republic of Turkey. This ratification has now taken place. Broadly speaking, under this new Agreement your Bank, while retaining its registered office in Istanbul, will be treated by Turkish law as a foreign bank operating in Turkey.

The Agreement remains in force until March 1, 1975, at which date it may be terminated by the Turkish Government after giving two years' previous notice to expire on that date. If such notice be not given the Agreement will continue thereafter, each party having the right to determine it on giving two years' notice at any time thereafter.

In the Agreement the Bank undertook to prolong its existence as a company for a period of not less than that of the Agreement itself, and you will be asked to agree to a resolution prolonging the life of your Bank for a period of 99 years dating from the ratification, that is to say from July 3, 1953.

These are the main provisions of the new Agreement and, in my opinion and in the opinion of your committee, it is a fair one which will prove to be satisfactory to both parties. Your Bank will continue to use every endeavour to be of all possible service to Turkey and I feel sure that it will carry out those very useful functions, to the benefit of the country, which it has always performed in the past.

TURKEY

Turkey, with a consistent policy and experienced statesmen, continues to exert a stabilising influence in the Middle East. The signature, early in the year of the Balkan Pact confirmed Turkey's co-operation with Greece and Yugoslavia. In the economic field, the progress made in 1951 was not only maintained, it was considerably increased, especially as regards agricultural production, resulting in important exports of cereals. At the same time, Turkey pressed forward with the equipment of her industries and the fulfilment of her plans for important public works.

As a result of the law to encourage foreign investment, ten or more foreign companies obtained permits to open up in Turkey. The Government, moreover, intends to widen the scope of this legislation. The Banque de Relèvement Industriel de Turquie, whose foundation I mentioned two years ago, continues to play an active part and to give increasing aid to the equipment of the country. Naturally, the overall increase in production is reflected in Turkey's foreign trade, which continues to increase from year to year. As in last year, half of Turkey's foreign trade was with Western Germany, England and the United States. Public finance shows satisfactory development. State revenue for the past year was considerably higher than

forecast. The current Budget based thereon is a definite improvement on its predecessors.

EGYPT

The prosperity of Egypt is indissolubly linked with the production and sale of the cotton crop, and it was unfortunate for the present Government that the world price for cotton was declining rapidly just at the moment when it assumed power.

The present difficulties which Egypt faces must not screen her main and permanent problem, that of increasing her agricultural output to feed and maintain an ever-mounting population. This must be done, however, without any serious decrease in her cotton production. What is vital is not only agricultural improvement, but agricultural expansion. There are in course a number of important plans, involving admittedly heavy capital expenditure, including several for bringing, by water storage and systematic irrigation, much land now barren into fruitful cultivation. When some or other of these are achieved, as with a return of economic stability they doubtless will be, Egypt will face the future with confidence. You will realise that 1952 was a difficult year for banks operating in Egypt.

Lord Latymer then gave a detailed review of the other countries where the Bank had interests, and continued:

BALANCE SHEET ITEMS

Turning to the balance sheet, it will be observed that deposits are down by some £14 million by comparison with the record figure last year. This reduction was not unexpected in view of the devaluation of the Israel pound in February, 1952, and the general falling off in international trade during 1952. It is satisfactory to note, however, that the figures are still above the 1950 level.

Our assets continue to show a liquid position with contractions proportionate to the lower figure of deposits. The ratio to deposits of cash and money at call is 29 per cent, bills receivable 19 per cent and investments (which are mainly short-dated British Government securities), 18 per cent. Advances and other accounts at £30,257,195 bear exactly the same ratio to deposits as last year, namely, 41 per cent.

As regards the profit and loss account, you will probably recall that I mentioned last year the increasing difficulty of remitting profits in time for them to be included in the figures for the year in which they were earned. You will not be altogether surprised, therefore, to see that the amount we have been able to include as result for the year is down from £303,038 to £189,621, whilst the figure in respect of profits of previous years is up from £113,946 to £262,968. It seems probable that this state of affairs will be continued in future years. The total available for 1952, including the balance brought forward from 1951 of £27,870, is £480,459, out of which the suggested appropriation to "reserve for contingencies" is again £250,000, leaving a balance of £230,459.

The committee propose that a dividend of 8s. per share be paid again this year, absorbing £200,000 and leaving £30,459 to be carried forward to 1953.

The report was adopted.

L'AIR LIQUIDE

(PARIS)

THE FIFTIETH ANNIVERSARY

The annual general meeting of L'Air Liquide was held on June 25th in Paris, M. Jean Delorme, chairman of the company, presiding.

The following is an extract from the directors' report: The accounts for the financial year 1952 show a net profit of Frs. 1,387,871,227, and mark a further advance as compared with the results for 1951. These results have made it possible to recommend a dividend of Frs. 650 net, as against Frs. 600 in 1951, in respect of both old and new shares. It should be noted that this improvement was gained in respect of a capital that had been increased by 50 per cent since the previous year, with the resulting influx of fresh capital becoming effective as late as May, 1952. The dividend for profit-sharing rights has been fixed at Frs. 2,531 net, as against Frs. 1,459 in 1952.

FURTHER EXPANSION ENVISAGED

The board's report also recalls the fiftieth anniversary of the formation of L'Air Liquide, celebrated on October 25th last, and states in this connection: The fifty years that have passed have not exhausted the possibilities of this sphere of endeavour, which has proved so profitable to us. The future opens vast perspectives of the large variety of purposes for which our techniques can be employed. We are witnessing in effect a dual tendency: on the one hand, in highly industrialised countries, the present-day extensive use of oxygen leads to an unprecedented increase in consumption; on the other hand, in countries more recently developed, a long familiar trend is evident once again; our presence tends to call forth new users who, relying on our punctual delivery service, take to the now classic welding and oxy-acetylene cutting processes with increasing eagerness. It is this continual challenge that has kept this company ever alert and expanding.

UNINTERRUPTED PROGRESS

In his address, the chairman dealt with the reasons for the vitality of, and the progress made by, the company, the inception of which at the beginning of the twentieth century was a response, he said, to the needs that were then in the forefront of industrial and scientific endeavour all over the world.

The company's uninterrupted progress and drive until 1939 insured her an increasingly important role in the economic life of France and other foreign countries. After the upheavals of the second world war, it had to overcome numerous difficulties which followed upon the liberation of France; the factories had to be re-equipped, steps had to be taken to re-establish ownership of their requisitioned properties abroad, and personnel had to be trained. Having successfully taken all these necessary measures, the company had continued on the road to progress, with the result that now the productive capacity of its factories had increased considerably, and the distribution of its products had shown a favourable rise. These satisfactory results were reflected in the growth of its turnover and in the increase of the distributed profits, which in the last seven years had risen from Frs. 200 million to Frs. 1,400 million.

REASONS FOR SUCCESS

Monsieur Edmond Deschars, deputy-chairman of the company, traced the formation and the beginnings of Air Liquide and recalled the activities of the early associates of Monsieur Paul Delorme, now the honorary

chairman of the company. He said that Air Liquide was in the front rank of French companies with private capital showing the highest net profits for 1952, and, in common with another big French company, paying the highest dividends.

The chairman said that the results were entirely due to the great variety of applications to which the products of the company lent themselves, to the excellence of the staff and the techniques employed, and to the consistently sound financial policy which the company had always followed.

The report and accounts were adopted.

AMALGAMATED DENTAL COMPANY, LIMITED

REASONS FOR SALES DECREASE

The forty-eighth annual general meeting of the Amalgamated Dental Company, Limited, was held at the registered offices of the company, 26-40, Broadwick Street, London, W.1, on July 31st, Mr Aiken Watson, QC, the chairman, presiding.

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

The year under review has seen the full impact in the home market of the restrictions on free dental treatment imposed in 1951. Sales have fallen substantially and current trading supports the view that no appreciable increase in the home market is in immediate prospect.

As I said in my statement last year, I believe that the demand for dental treatment, which arose on the introduction of the National Health Service, reflected on the whole a genuine need. The importance of dental care in relation to general health is now universally recognised. It is to be hoped that the voice of the profession, which alone may speak authoritatively on these matters, will rouse the public to dental consciousness.

HEAVY BLOW TO EXPORTS

In our export trade we could not hope to escape from the general consequences of world economic trends. The imposition of import restrictions within the sterling area early in 1952 dealt a heavy blow to our expectations of increased trade in this area. The recent easing of these restrictions should be reflected in current trade. In Europe and overseas the emergence of strong foreign competition will tend increasingly to affect our price margins in these territories.

The gearing of the company in the most efficient way to meet all these changing conditions is engaging the constant and close attention of the board.

I am happy to say that the company's products continue to enjoy the widest support of the profession throughout the territories in which we trade. Sevriton—our new filling material—the introduction of which I mentioned last year, has earned high praise in use. In Canada and America it has created lively interest. Needless to say, intensive research continues on this and other products about which it is premature to speak.

A LIMITED MARKET

In an industry dealing in specialised commodities in a limited market any forecast of the future is fraught with peculiar hazards. That notwithstanding, with the continued loyalty and devotion of our managements and staff at home and abroad, to whose efforts and skill I gladly pay tribute and thanks, the directors are confident that the immediate future holds prospects of a steady if not expanding trade.

The report and accounts were unanimously adopted.

NCHANGA CONSOLIDATED COPPER MINES

NEW PRODUCTION SALES AND PROFITS RECORDS

The sixteenth annual general meeting of Nchanga Consolidated Copper Mines, Limited, will be held on August 26th at Nkana, Northern Rhodesia.

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, which has been circulated with the report and accounts.

The results for the year ended March 31, 1953, show that new records have again been achieved by your company in the fields of production, sales and profits, and in consequence it has been possible, after providing for dividends amounting to 15s. per unit of stock, to maintain the policy of financing internally the company's capital expenditure programme. To this end there has been set aside out of the year's profits to General Reserve an amount of £3,100,000, apart from which a further sum has been temporarily provided by the retention of an increased balance of unappropriated profits.

Questions of power supply continue to receive the closest consideration from your board. The thermal power generating stations at the four big copper mines were interconnected during August, 1952, thereby ensuring to all the most efficient usage of available power and the greatest possible safety from breakdown. Ownership of this interconnection system and other assets of the Northern Rhodesia Power Corporation is being acquired by Rhodesia Congo Border Power Corporation, Limited, a company which has recently been formed in Northern Rhodesia and in which your company has a 25 per cent interest.

This new Corporation will also take over the responsibility for the importation of hydro-electric power from the Belgian Congo, which we hope will be available early in 1957, and has recently concluded an agreement with the Export-Import Bank of Washington for a loan of up to £8 million.

This money will be used to finance extensions to the existing power supply system as well as to meet certain expenditure in connection with the import of power from the Congo.

As to the long-term policy, it is confidently expected that active development of the hydro-electric scheme within Northern Rhodesia, on the Kafue River, will be commenced at an early date, following the recent setting-up of the Kafue River Hydro-Electric Authority. A further and larger scale project in Southern Rhodesia, known as the Kariba Gorge Scheme, is receiving the active attention of the Southern Rhodesian Government.

Since the close of the financial year considerable interest has been centred on the copper price which has dropped some £20 or £30 per ton since March. The Ministry of Materials has decided that the supply position is such that trading in this metal can once again return to the free market. The London Metal Exchange will in consequence reopen for dealings in copper on August 5th.

Given adequate coal supplies and freedom from industrial disputes, it is anticipated that production for the current year will be further increased with the commissioning of the remainder of our third stage extensions, and in this connection members will be interested to know that the board has under consideration extending the present mining methods to include open pit working, for which, our consulting engineers advise us, a section of

the company's property is eminently suitable and which would achieve a better long-term balance in the supply of ore.

Copies of the annual report and accounts may be obtained from the head office, Kitwe, Northern Rhodesia, or from the transfer offices at 44, Main Street, Johannesburg, and 11, Old Jewry, London, E.C.2.

WARNE, WRIGHT & ROWLAND LIMITED

SATISFACTORY RESULTS DESPITE TRADING DIFFICULTIES

AIR COMMODORE J. A. CECIL-WRIGHT'S REVIEW

The forty-sixth annual general meeting of Warne, Wright & Rowland, Ltd., was held yesterday at the Queen's Hotel, Birmingham.

The following is a précis of the review by the chairman, Air Commodore J. A. Cecil-Wright, AFC, TD, DL, FInstD, which was circulated with the accounts:

For the year ending December 31, 1952, the earnings of the group (including £11,080 profit accruing from the sale of shares in Timbrell and Wright (Successors), Ltd.) amounted to £191,636 as compared with £191,231 in 1951. The directors consider the result to be satisfactory, having regard to a number of setbacks experienced during the second half of the year. These included the scaling down of rearmament orders, the continued closure of the Australian market, reduced trading in other markets resulting from currency and quota restrictions, the general recession experienced by the nut and bolt industry, and a wet summer which lessened the demand for horticultural brassware, of which the group is the largest supplier in the country.

In order to write down stocks to present market prices and to provide for possible obsolescence, the sum of £30,000 was charged against current trading; reserves made in previous years therefore remain intact. The profit resulting from the parent company's own manufacturing business was deliberately sacrificed in order to expedite completion of the reorganisation of these works.

The balance sheet discloses the total assets of the group, excluding goodwill, to be over £1,500,000, and the surplus of current assets over current liabilities is £690,117. After spending upwards of £70,000 on new machine tools, the liquid position with £203,860 available in cash remains satisfactory.

FUTURE PROSPECTS

As to future prospects, the group made no attempt to pass on to its customers the cost of the wages increases awarded in November last. In this connection, speaking of industry generally, the chairman states that further increases in production costs allied to the enormous burden of taxation and the high cost of plant replacement may well price our products right out of world markets, the one sure consequence of which will be all the misery of widespread unemployment. Competition from Germany and other foreign countries is increasing, with its consequent effect on profit margins. These factors would seem to point to reduced profits in the immediate future, but against them can be set the gains in efficiency achieved by organising and planning which, under normal trading conditions, should yield maximum savings within the next two or three years. Therefore, unless a chain of unpredictable events spoil the forecast, the results for the current year should not differ materially from those of the year under review.

The report was adopted.

METAL CLOSURES, LIMITED

BROADENED BASIS OF OPERATIONS

MR W. V. ESPERSON'S REVIEW

The seventeenth annual general meeting of Metal Closures, Limited, was held on July 30th, at West Bromwich.

Mr W. V. Esperson (the chairman) presided and in the course of his speech said: Our consolidated profit for 1952 before provision for taxation is £193,700 as compared with £220,400 for the previous year. This is a reduction of £26,700 or about 12.3 per cent. The net profit remaining after provision for taxation is £53,400 as compared with £97,900 for the previous year—a difference of £44,500.

In the accounts under review, reserves for taxation have been made amounting to £140,200, while for 1951 similar reserves amounted to £122,500. Therefore despite the fact that the profit for 1952 was £26,700 less than for 1951, we have had to reserve £17,700 more for taxation—for excess profits levy alone we reserved £30,700; this is the penalty we have incurred for having progressed so greatly during the past few years.

During 1952, we considered it advisable to reduce some of our selling prices, and I may mention that the loss of profit due to this reduction accounted for a very large proportion of the decrease in the net profit. During the last two months of 1952, the requirements of our customers were greatly curtailed, and in consequence our output was considerably reduced. Nevertheless, our group turnover for the year was somewhat larger than the turnover for the previous year. In 1952, we met with many difficulties in the export market, due principally to restriction of imports by various countries, and, in some cases, shortage of sterling. We also had to contend with many trials and tribulations due to inferior raw materials, which was an expensive matter for us.

NEW ACQUISITIONS

During 1951 and the early part of 1952, the demands of our customers were so great and insistent that we considered it necessary to obtain further manufacturing space, and in pursuance of this object, we purchased the shares of a company operating a very modern factory in South Wales. The South Wales factory is now fully equipped to manufacture independently; it is working very efficiently, and is capable of making a very considerable addition to our daily output of closures.

In order to broaden the basis of our business, we entered the plastic industry last year by acquiring an established plastic closure manufacturing business. This business is showing profits which we hope and believe will be steadily increased as time goes on.

In regard to prospects for the current year, the falling-off in demand I have previously mentioned continued until early in March of this year, when market conditions began to improve, and they are now more stable than they were. The recession in our business was due, partly, to some of our customers having either overstocked or to their determination to carry smaller stocks, and partly to a recession in trade generally. Our trade is largely connected with the food industry, and as that industry is both vital and permanent, I believe we may feel assured that our business has a solid basis for the continuation of its existence on a profitable scale.

The report was adopted.

HACKBRIDGE AND HEWITTIC ELECTRIC

IMPROVED DELIVERY DATE POSITION

The forty-seventh annual general meeting of Hackbridge and Hewittic Electric Company Limited was held on August 5th in London, Mr Thomas F. Lister (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The trading profits of the group have been well maintained at £459,351, compared with £464,737 for the previous year. There is available a net profit of the group, before taxation, of £403,545, against £415,903 the previous year.

The provision for taxation requires in all the sum of £249,387, compared with £257,357 the previous year. United Kingdom taxation requires £233,500, against £251,500, reflecting the small reduction in the standard rate of income tax and the changed incidence of profits tax. Nevertheless, taxation still absorbs 62 per cent of our profits, which is the same as for the previous year and, in my submission, is far too large a burden upon British industry.

If the stockholders approve the payment of a final dividend on the ordinary stock of 15 per cent, making a total of 20 per cent, less tax, for the year to March 31, 1953, the total dividend requirement, including the year's dividend on the preference shares, will absorb £61,725 net. This will enable the directors to transfer the sum of £75,000 to general reserve, which will then stand at the substantial figure of £400,000. The carry forward on profit and loss account will be £53,146.

I am glad to be able to report that in common with other companies in the heavy electrical equipment industry, we have experienced a decline in the demands made upon us, which is reflected in a reduction in our order book to a more manageable level, thus enabling us to give better delivery dates in respect of new business at home and abroad. While these remarks apply particularly to the transformer and switchgear divisions, the demand for our glass bulb rectifiers shows no falling off and our order book for these is the largest in the company's history. We have every reason to expect that our output and deliveries for the current year will be maintained and possibly increased.

CANADIAN SUBSIDIARY

With regard to our Canadian subsidiary, I am pleased to report that our Canadian clients continue to place confidence in our rectifiers and that the orders, including contracts with the United States, amount to \$1,400,000. This is \$800,000 lower than a year ago, due to a large contract for the equipment of an electrolytic plant for the United States having been completed in the meantime. Now that we are able to promise better delivery dates with regard to transformers, we expect to derive our share of this business in Canada which will be available during the immediate future because of the large expansion programmes already in hand for the development of hydro-electric power in that country.

It was necessary last year to draw your attention to the difficulties which were being experienced as a result of the financial and other restrictions imposed on exports to Australia by that country. However, the authorities have been able to effect a decided improvement and the indications are that this improvement will continue, so that by the end of this year it hoped normal trading conditions with Australia can be resumed.

The report was adopted.

THE BRITISH SHAREHOLDERS TRUST

SUBSIDIARY COMPANY'S PROGRESS

SIR BERNHARD BINDER ON ONEROUS TAXATION

The thirty-first annual general meeting of The British Shareholders Trust Limited was held on August 6th in London.

Sir Bernhard Binder, FCA (the chairman), presided and, in the course of his speech, said: The net profit, before taxation, for the year to March 31st last amounted to £72,496, which is £11,544 less than for the year to March 31, 1952. This is accounted for by a reduction in the profits on placings and realisation of securities, offset to the extent of £2,000 by increased income from our investments.

Our subsidiary company, The Record Electrical Company Limited, continues to expand. Its trading profits for the year ended March 31, 1953, increased by approximately £27,000, but taxation took £22,447 more than in the previous year. The rate of dividend we received in the twelve months under review is the same as that paid to us for the year to March 31, 1952. The Record Company's order book is satisfactory, and although some of its business is due to the rearmament programme, there is reason to believe that that company will not only maintain but increase its rate of turnover compared with last year. Further developments have resulted in new products being added to the range of instruments manufactured, in particular, a new small electrical recording instrument, which has had a good reception from potential users from whom satisfactory initial orders have been obtained.

Your company, owning about 81 per cent of the ordinary shares of The Record Company, has had to provide this year in its accounts £17,116 in respect of The Record Company's liability to Excess Profits Levy, and of this sum, by law, we can only recover £14,474 from that company. The 1953-54 budget provides that as from January 1, 1954, the Excess Profits Levy will cease, so that in due course we may expect some relief in this direction.

TAXATION AND "ADVENTUROUS INDUSTRIALISTS"

During the debate on this year's budget, the Chancellor of the Exchequer stated that the Government felt that under the present burden of taxation, it was impossible to get that drive and spurt forward which the economy needed so much, and that the main need now was to lighten the load on our adventurous industrialists, and to give them an opportunity to compete. This year we have been given at long last, a slight relief from this burden, but one of the most onerous forms of taxation that has still to receive some easement is that of estate duties, particularly as they affect the owners of private companies, who are in so many cases the "adventurous industrialists" referred to by the Chancellor. For some time past we have been studying this question and hope to provide a new basis for assisting the owners of private businesses who are faced with this burden.

As the national revenue may not remain buoyant, the only effective step towards lightening the load of taxation referred to by the Chancellor is to reduce Government expenditure. To bring this matter into perspective, we have prepared and will shortly distribute copies of a financial survey of the United Kingdom from 1913 to 1952.

The chairman, having quoted figures from the survey, continued: If national expenditure is not reduced and at the same time the

national revenue falls, something drastic and unpalatable will have to be done to balance the budget and so preserve the value of our currency in the eyes of the world.

As to the future of our own business, we are about to place blocks of ordinary shares of two old-established businesses, particulars of which will be advertised in the next few days. We like to think, and I believe can demonstrate, that over many years we have taken great pains to see that any issue we sponsor is sound. In our business of finding capital for industry, everything depends in the end on backing the men who are responsible for the successful conduct of the various industries in which they are engaged. This we have always in mind, and I believe our record bears this out.

The report was adopted and the payment of a final dividend of 4½ per cent and a bonus of 2½ per cent, making, with the interim payment, 10 per cent for the year, was approved.

KELVIN AND HUGHES PROBLEM OF NECESSARY FURTHER CAPITAL

The sixth annual general meeting of Kelvin and Hughes, Limited, was held on August 6th in London.

Mr Ralph Gordon-Smith (the chairman), presided and in the course of his speech said: A year ago I referred to the financial problems arising from your company's rapid expansion. The consolidated profit after taxation amounts to £160,041, an increase of £63,000; taxation amounted to no less than £332,600, an increase of £184,000, which means we are paying away 68 per cent of our total earnings in tax. A first glance at the balance sheet shows that there is £154,000 in the bank; tax alone will absorb all of this balance and some £250,000 more. It is evident to your board that substantial further permanent capital will be necessary within the next year or so.

S. Smith and Sons (England), Limited, which already holds over 52 per cent of your company's ordinary capital, have offered what I, as chairman of both companies, consider a reasonable exchange, and those of your directors who are not connected with Smiths agree with this view. The offer is six 4s. ordinary shares in Smiths, a total nominal value of 24s., in exchange for one 20s. share in Kelvin & Hughes.

If the Smiths offer is accepted it will not signify any change in management or policy of your company; the Kelvin & Hughes group will continue to operate independently.

Output showed a substantial increase over the previous year's record, making an increase of over 70 per cent during the last two years. Our order book is satisfactory.

We have made further improvements in our development and research departments, and an interesting effect of their work is that your company's instruments have now been used to determine the greatest height attained in the air as well as the greatest depth under the sea; I am referring, of course, to the recent height record established by a Canberra aircraft and the record sounding made by the Danish research vessel Galathea. On land, one of our aircraft barometers was used by the successful Everest team to determine local barometric pressures. Our unique whale-finding equipment has now proved itself over a long period of severe operational conditions, and we have brought out a new miniature flaw detector. Steady progress is being maintained in the development of new instruments for the coming generation of high-flying, high-speed civil and military aircraft; in this connection we were recently awarded a substantial contract by the United States Air Force in Europe.

The report was adopted.

SPURLING MOTOR BODIES

WELCOME CHANGES

The sixteenth annual general meeting of Spurling Motor Bodies Limited, was held on July 30th in London.

Mr W. F. Spurling (managing director), in the course of his speech, said: Today we find ourselves five months through the present financial year, and during this period changes have come about, which we welcome. To me these changes signify definite prospects of bigger, better business, for those who are prepared to go out for it—bigger because the volume should be greater, better because our business will be much more free from demands appertaining to war conditions.

The first point we note is the steady rise in the numbers of cars and trucks coming from the factory, which will enable us to fulfil long-outstanding orders, and thus create more satisfied customers for Spurlings. The increased number of vehicles and chassis now coming off the line, we are told is only a trickle, compared with the quantity we can expect in the not too distant future.

Our production departments have climbed out of the hollow. Today business is very brisk, our order books again are heavy, and we are expecting a big demand for the new-type bodies now being demonstrated. As the holiday period closes we shall be increasing the number of employees in our shops.

The first stage of our expansion scheme is now in being. We have purchased premises at Wembley and plans for their development and improvement are in hand.

The report and accounts were adopted.

YORKSHIRE FINE WOOLLEN SPINNERS

The fifth annual general meeting of Yorkshire Fine Woollen Spinners, Limited, was held on July 31st, at Huddersfield, Sir Frank Binns (chairman and managing director) presiding.

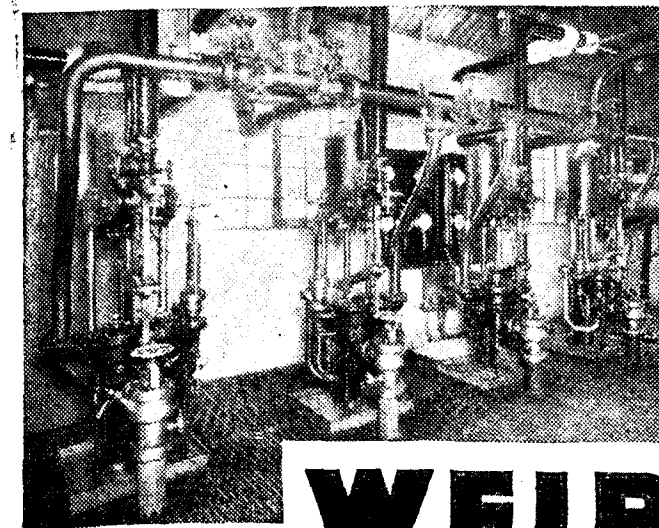
The following are extracts from his circulated statement:

The statement of accounts show the profits of the group for the year 1952 to be £102,720 as compared with £137,291 last year. The net trading profits amount to £42,749 as compared with £33,695 last year.

The year under review has not been an easy trading year; fluctuations in wool prices have again caused us considerable anxiety. Until prices become more stabilised I am afraid that the industry as a whole will continue its operations under conditions which can only be described as being somewhat speculative. It would be very unwise to predict the future trend of our trade but throughout this period the mills have been employed fully. Yarn production, apart from labour shortages, has been to capacity, but, as I intimated last year, profit margins are not comparable per pound of yarn produced with the profits for 1949 or 1950. Competition is increasing rapidly, with the obvious result that quotations for the finished product are constantly becoming keener.

A number of new and interesting yarns have been introduced to the trade recently, which have been very well received. Some of them already in bulk production are being readily absorbed, and we have every hope that they will prove beneficial to the group.

The report was adopted and the dividend of 17½ per cent approved.



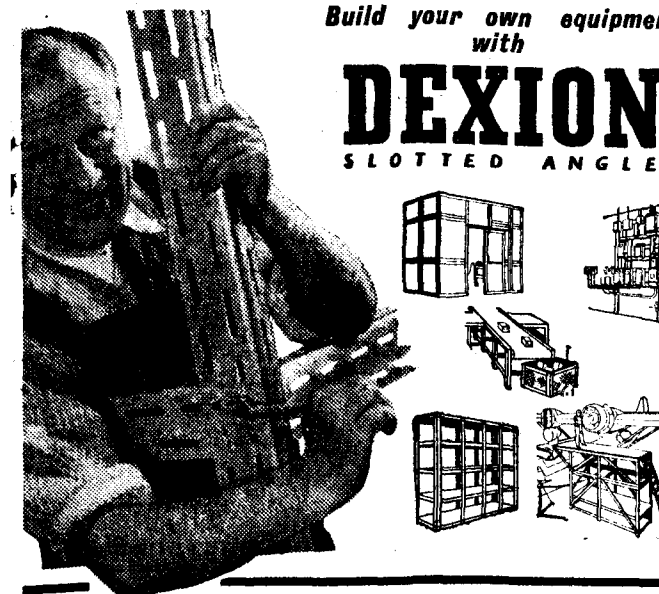
WEIR PUMPS

Direct-Acting

have a world-wide renown for efficiency, reliability and economy. They include designs for boiler feeding, general service pumps, oil fuel pressure and transfer pumps, etc., and are in constant demand for ships and all types of industry where reliability and efficiency are essential.

The Weir Organisation:

G. & J. WEIR LTD.
DRYSDALE & CO. LTD.
WEIR HOUSING CORP. LTD.
THE ARGUS FOUNDRY LTD
ZWICKY LTD.
WEIR VALVES LTD.



Build your own equipment with

DEXION

SLOTTED ANGLE

Just cut it and bolt it, that's all!

No drawings required—rough sketches are good enough

No drilling, welding, measuring or painting. No scrap

Now available in both steel & aluminium alloy.

★ Write or telephone for illustrated booklet G8

DEXION LTD., 189, REGENT ST., LONDON, W.1

Telephone: REGent 4841

All this



and a 7 too!

NUMBER SEVEN

'Virginia' Cigarettes 20 for 3/11
ALSO Abdulla Turkish and Egyptian

Sell the man at the top!



Wherever he is
he can open the
door to your
company or
products,

Reach him
in over 100 countries
through **TIME** International



THE people who can open and develop markets for your company or products abroad can be reached more certainly and consistently through **TIME INTERNATIONAL** than any other international publication. **TIME INTERNATIONAL** is published in English in four separate editions. These are read every week by more than 1,700,000 important people in over 100 countries outside the U.S.A. Ninety-two in every hundred **TIME INTERNATIONAL** subscribers hold influential positions in business, government and the professions. These people, whose opinions and decisions shape the trading policies of industry, commerce and government, are the people who mean business in the world. An advertisement campaign in **TIME INTERNATIONAL** Editions will give them good reasons for talking business with you.

You can buy advertising space in all four editions—**TIME Atlantic**, **TIME Canadian**, **TIME Pacific** and **TIME Latin American**—or only in the editions that cover the areas in which you are most interested. Full details from: The Advertisement Director, Time International, Time & Life Building, New Bond Street, London, W1.



THE CENTRAL BANK OF INDIA LIMITED

(Incorporated in India. The Liability of the Members is limited.)

Established 1911.

HEAD OFFICE:

CENTRAL BANK BUILDINGS,
MAHATMA GANDHI ROAD, FORT, BOMBAY.

LONDON OFFICE:

159 FENCHURCH STREET, LONDON, E.C.3.

Chairman Sir Homi Mody, K.B.E.
Managing Director H. C. Captain

Paid-up Capital Rs. 31,454,000
Reserve Fund and other
Reserves Rs. 39,908,000
Deposits Rs. 1,232,112,000

290 branches and pay offices throughout India,
Pakistan and Burma.

Banking business of every description
transacted.

London Adviser: Sir Cecil Trevor, C.I.E.

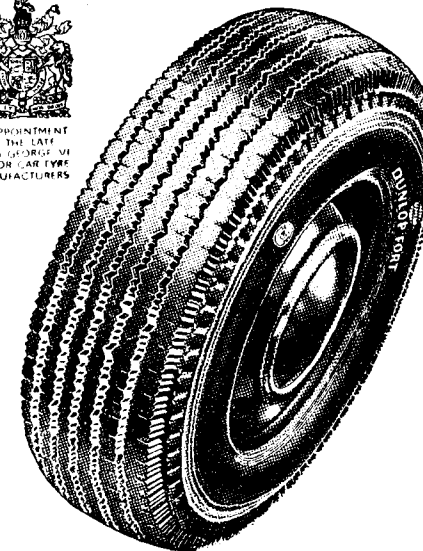


ask the typist

Who, after all, is more likely to know the pros and cons of typewriters than the girl who works with them? She may not be able to express herself in the language of the typewriter technician, but her 'It's a good machine in every way' carries more weight than all the wordy technicalities. So when our typewriters pass the typist's test—as they have been doing for many years and in many countries—we feel that a lot has been achieved.

Imperial

IMPERIAL TYPEWRITER COMPANY LIMITED • LONDON

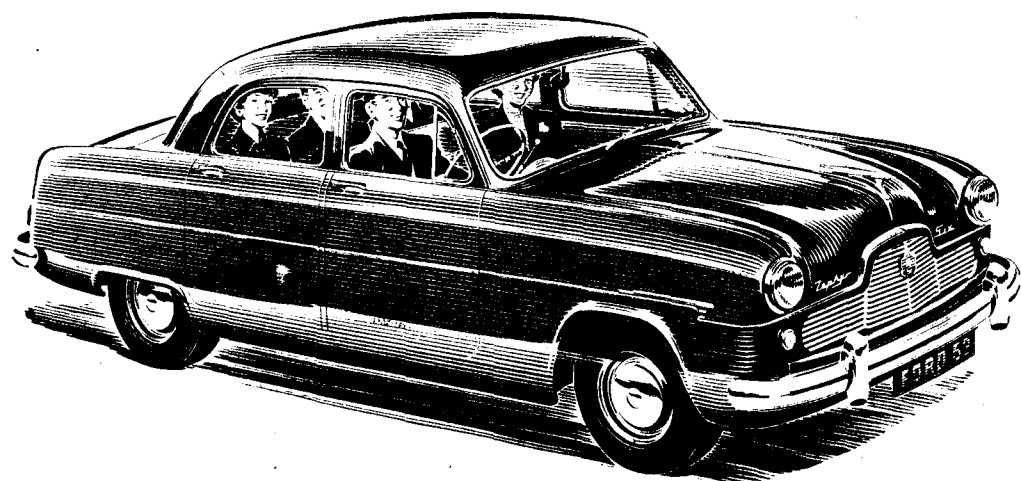


All Dunlop car tyres carry the Gold Seal, the symbol of all that is best in tyre-building technique. The **DUNLOP 'FORT'** is designed for the motorist who wants the very best and is prepared to pay a little more for a tyre without equal for strength, trouble-free performance and long mileage.

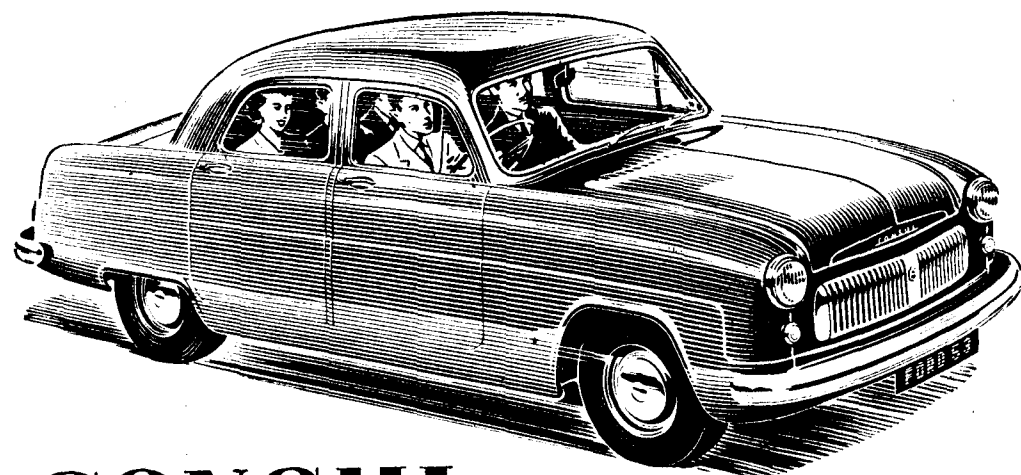
DUNLOP FORT
In a Class by Itself

For limousine luxury with
the sparkle of a sports car

it must be a **ZEPHYR**
WINNER OF THE 1953 MONTE CARLO RALLY.



or



a **CONSUL**

The 6-cylinder Zephyr has vivid acceleration, very high cruising speeds and handling qualities that would be outstanding in any car at any price. And yet it is a family car: spacious, comfortable and economical. And you'll find the same fine qualities in the 4-cylinder Consul. Both these '5-Star' cars bring you a class of motoring never before possible in their price range. Which is your choice? Your Ford Dealer will gladly give you details of each—and of the finance facilities for both.

ZEPHYR-6 £532 Plus P.T. £222.15.10 CONSUL £470 Plus P.T. £196.19.2

Ford '5-Star' Motoring ★★★★★ The best at lowest cost

Visitors to Britain requiring cars for export may order them for early delivery without payment of Purchase Tax from any Ford Main Dealer or from Export Department at our Showrooms, 88 Regent Street, London, W.1. (Regent 7272).



The Economist

FOUNDED 1843

AUGUST 15, 1953

ONE SHILLING

No New Line	429
Ariel and Caliban	431
Malenkov's Gamble	432
"This Desirable Residence..."	434

NOTES OF THE WEEK

Conflict of Powers in France; Will Beria be Tried?; The Liberals Win in Canada; Watchdog on the Boards?; Watching the Watchdog; Kashmir Coup; Bluntness Fails in Japan; Troubles in Ceylon; The Price of Burma's Rice; Wages and Exports; Change in Uganda; Federation for Nigeria; Post Office Losses; Fine Arts and Finicky Ironwork; Indonesia's Step to the Left. 436

LETTERS TO THE EDITOR	445
BOOKS AND PUBLICATIONS	446

AMERICAN SURVEY

Democrats Close Ranks 449
Policing Private Enterprise 450
Truce with Rhee; Prosperity's Profits; Cotton War; Investigators Go to Church; Housing on Shaky Foundations?; Waterfront Purge; Shorter Notes.

THE WORLD OVERSEAS

Soviet Flirtation With Austria 457
Trade Between East and West; Rearming Japan; End of the Dollar Famine?; Bread and Circuses in Bucharest; Under All Flags.

THE BUSINESS WORLD

Operational Research 465
Role of the Investment Trusts 467

BUSINESS NOTES

Heat-Wave Markets; Sharp Rise in Exports; Engineering Exports in the Balance; Brazil's Second Offer; Shortage of Sterling; Weakness in Wheat; Car Sales—and Exports; Tin and Rubber in Travail; Potash Loan Offer; Tourist Concession Withdrawn; The Brush Offer; Triumph in Titanium?; Recovery in Copper. 470

COMPANY NOTES AND SECURITY

PRICES 478
STATISTICS 481

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

No New Line

IF Parliament were now sitting there would be a lively new battle about a grim old subject. The Opposition would be charging the Government with changing its policy towards China, with concealing an important new commitment from the House of Commons, and—presumably—with appeasing the Americans. The grievance, as stated in a letter to *The Times* from two former Labour ministers, Mr Gordon Walker and Mr Jay, is this: that the British Government signed on July 27th (but did not publish until after the recess had begun) a declaration drawn up by sixteen members of the United Nations stating that they would jointly resist "a renewal of the armed attack in Korea." The statement concluded with the following sentence:

The consequences of such a breach of the armistice would be so grave that, in all probability, it would not be possible to confine hostilities within the frontiers of Korea.

That, say the agitated critics, is a half-promise—or at least it will be taken by the Americans as a half-promise—that this country, if war is resumed, will join in operations against the Chinese mainland. They claim that "extension of the war to China is contrary to the clear policy of both Labour and Conservative governments ever since 1950" and that "public opinion in this country is unanimously against it." Here, then, is the first complaint: that policy has been changed in a dangerous direction that no one in this country will approve. The second complaint is that ministers should have revealed the existence of this document before Parliament had dispersed.

The subject matter of these complaints is serious enough—nobody will try to shrug off the risk of war with China. But the complaints themselves, unfortunately, are all too characteristic of the baffling forgetfulness and irresponsibility with which former Labour ministers now speak on international affairs after only eighteen months away from the telegrams and the responsibilities of office. Their speeches in the House of Commons provide *Pravda* with its most telling points. They are consistently opposed to the British Government showing any firmness anywhere (except, of course, in Washington). Having agreed when they were in office to such bold and risky policies as the rearmament of Germany, the resistance to China in Korea, and the construction of an atomic bomb, having most resolutely and patiently built up strength to negotiate with the tough characters of Moscow and Peking, they now fail in courage and clarity at the very moment when the policy they inaugurated is beginning to pay. Especially surprising is their short memory. Has the debate of February 26th last year been forgotten? The Prime Minister then revealed that the Labour government had in 1951 agreed that, in certain circumstances, they would "associate themselves with action not confined to Korea." And has it been forgotten that this undertaking, certainly much the more explicit of the two, was kept secret for eight months?

That, at least, was a commitment; the sentence in the declaration of the sixteen is nothing more than a statement of probabilities. For it is as plain as a pike-staff that if war flares up once again in Korea, it will only with great difficulty be confined to that country. If the Americans (who have, after all, next to the Koreans themselves, borne most of the burden and taken most of the blame) have to start fighting again, they will be most unwilling (as we should be in their place) to go on fighting with one hand tied behind their back. That being so, what were the allies of the United States to do? Ignore plain facts and risk the Americans "going it alone," in which case we could not hope to avoid being drawn in eventually, any more than they could in 1917 or 1941? Or face the facts and maintain the partnership to which even General MacArthur was eventually forced to admit his responsibility? There is no doubt that they took the right decision even if their wording of it was unfortunate. There is no doubt that a Labour government would have done exactly the same thing, as it did in 1951.

★

If there cannot be, in the critical months ahead, some return to realistic bi-partisan thinking on the big issues of foreign policy, it will be extremely difficult for the three western powers to make any progress at all with Malenkov and his colleagues. The speech which he made, and they presumably approved, was a hard, confident, unyielding performance. True, it was primarily intended to impress critics and rivals and to reassure a people which had its fill of war alarms under Stalin. But it was the clearest statement of Soviet foreign policy that has been made for a long time. Tension is eased, said Malenkov; we are trying to get back to normal; stop all this cold war business and return to the conventions of diplomacy; there need be no war; we will negotiate. That, so far as it goes, was well enough. But he also made it abundantly clear that there would be no concessions. The Soviets could withstand all threats. And if he was frank in exposing economic shortcomings in the Soviet system (which are further discussed in an article on page 432), there was no hint that they would lead to any concessions in the foreign sphere—rather the contrary.

On specific points the speech was of the deepest interest. There was a bid to every major partner in the Atlantic alliance except Britain, to President Eisenhower, to France, to Italy, to Turkey. The intention is clearly to divide the allies of America as Hitler divided the allies of France. It will be best brought about by reducing tension, for "the North Atlantic bloc is rent by internal strife and contradictions and the lessening of this tension may lead to its disintegration." Aggressive circles are afraid of this process and, therefore, oppose the lessening of tension. Therefore, Malenkov deduces, let the "peace-loving forces" in each country overcome the aggressive circles, with a little help from

the Soviet Union, and there will be no need for the Soviet Union to make any substantial concessions. Malenkov is not urgently interested either in German unity, or in German elections, or in the Soviet-German partnership of which Stalin used to speak. The only aspect of the German question with which he is concerned is how the Soviet Union is to be given security against a German resurgence; the speech contains unmistakable warnings against German rearmament and adventures in Berlin.

★

At one point in his speech, Malenkov says that any negotiations between the powers must start from "stark reality, on the ground of facts, be they pleasant or not." This should be taken to heart in the West, and the starkest of the facts is that, if there is any "new line" in Soviet diplomacy, though it may be more subtle, it is certainly no more amiable or yielding than in Stalin's day. Indeed, for some time, Malenkov may be harder to deal with than Stalin. A man who has had to limit his defence budget, who has made large concessions to the consumer and the peasant and who has dismissed his police chief cannot risk the accusation of weakness in foreign policy.

If that is so, then the pattern for the months ahead is clear. The western governments will be struggling to hold those cards in Europe and elsewhere which force Moscow to treat them with respect, perhaps even with a certain fear. Yet this is the moment when the Opposition—and many non-Socialists who do not even have the excuse of a duty to oppose—raise the demand that all the cards be shown or surrendered before the four-power game begins. It is one thing to avoid a binding commitment to attack China if fighting begins again in Korea—no such commitment has been made, and if anybody still thinks that the sixteen-power declaration embodies one, the misapprehension can easily be removed. But what the critics apparently want, what any yielding to their clamour would effectively establish, is a promise by the British Government that it will not in any circumstances at any time countenance operations against China. That would be folly of the highest order, which would make war in the end more rather than less likely. It is incredible that, so soon after the 1930s, there are so many people who believe that a concessive diplomacy is more likely to secure peace than a firm and strong one.

Moscow's hope was made very plain in Malenkov's speech. It is that, with the solidifying pressure of immediate fear removed from them, the democracies will revert to their curious habit of putting the best possible construction on their enemies' intentions and the worst possible on their friends', and that this will eventually enable the Soviets to force a settlement on their own terms. The tactic is obvious and intelligent; the only puzzle is why so many people in this country seem anxious to fall in with it.

Ariel and Caliban

ONE of the subjects that the parliamentary recess left in suspense, and on which Ministers will have to do some hard thinking before the autumn, is their announced intention to introduce an element of competition into television. The story so far is a strange one, and the present state of affairs, though it is plainly embarrassing to Ministers and must be exasperating to many of those outside Parliament who are directly concerned, is one from which the spectator on the side lines can derive a certain amount of amusement.

The story goes back to the time when the Conservatives, in their first six months of office, were trying to make up their minds what to do about the report of the Beveridge Committee and the renewal of the BBC's licence. A small group of pertinacious backbenchers then succeeded in persuading the Government to commit itself to permitting "some element of competition" in television. It is doubtful whether ministers gave the matter much thought. It sounded like a small, comparatively simple and surely almost completely harmless example of the general policy of sending out private enterprise skirmishers to harry the flanks of those nationalised industries that could not be completely denationalised. So the phrase got into the White Paper of May, 1952, and the subsequent debate made it clear that the cautious wording was to be interpreted as meaning sponsoring—that is, finance by advertising.

After the first declaration of intent, the subject lay dormant, politically speaking, throughout 1952. But in the spring of this year it began to wake up. Two things were then discovered. First, it is said to be technically impossible—at least for some years to come—to have a whole host of competitive broadcasters; there is no question of free competition, but only of a single competitor for the BBC. Secondly, it has become apparent that, in addition to the expected and automatic opposition of the Labour party, there is a strong body of opposition to sponsoring within the Conservative party itself, including some much respected figures and heavily concentrated in the House of Lords. Moreover, this opposition bases itself on Good Taste and Morality; in that subtle way that is unique to this island it is not so much stated as taken for self-evident that only cads would want to have advertising on the air. This sort of argument, when urged by peers of the realm of impeccable antecedents, backed by the bishops, and supported in all the most respectable organs of the press, is a force that a Conservative government ignores at its peril.

Then came the Coronation, with its allegations of the most frightful breaches of good form by the commercialised American networks. Exactly what was inflicted on the American viewer on June 2nd will now never be known, unless some impartial judge can have resurrected for him the whole of the many programmes that

were put out on that day. Some say that it was vulgar beyond belief, and they parade the simian figure of Mr J. Fred Muggs, whose fame in this country is now far greater than any he is ever likely to enjoy at home. But Her Majesty's Ambassador, in response to an inquiry from the Foreign Office (the public has not been told whether the question began with *num* or *nonne*), reported that, in the Embassy's opinion, on the whole, it had been well done. A conflict of evidence like this, of course, is just what a good controversy needs and for a few weeks in June, the question of whether or not pills should invade television was the hottest topic of domestic politics.

All this put Ministers in an embarrassing position. They were committed to doing something, and the Conservative backbenchers in the Commons, mobilised in the 1922 Committee, insisted that anything other than the original intention would be a confession of weakness. They were not afraid of any archbishops. But there would obviously be strong opposition in the Lords and conceivably even a defeat there. Undoubtedly, if it put its foot down, the Government could push its policy through, but only at the cost of using up much more political capital than could be spared or than the whole subject is inherently worth.

★

So the search for ways out of the dilemma is now on. And there is one very obvious way out. What the Government is committed to is a measure of competition; what the critics dislike is the idea of programmes being provided, controlled or influenced by advertisers. Very well, let the alternative programme be provided by another public service corporation, constituted in exactly the same way as the BBC, let it keep complete control over its programmes (just as an editor keeps control of the editorial contents of his newspaper) and let it raise revenue (again, as even the most high-minded newspaper does) by allowing the advertiser to fill in the interstices with his announcements. There is reason to believe that this is the scheme that is currently in vogue. Politically, it is an almost complete escape from the dilemma. If the Postmaster-General could say, in effect "So great is our admiration for the BBC that we want to duplicate it; and as for advertising, we are only proposing that our new public service corporation should act as *The Times* does," he would silence, or at the least embarrass, that considerable part of his critics who have connections with those two august institutions, while the rest of the opposition would have to abandon the congenial contrast between the virtue of public service and the iniquity of private greed and defend the BBC's monopoly as such, which is less easy.

The catch about this plan is that it probably would

not work. It has always been very doubtful whether enough money could be raised by advertising to pay the very heavy costs of a television service—particularly since it is apparently not even to be the second programme, but the third, since the BBC has plans for an alternative programme of its own. Television is not exactly a goldmine even in America, and the sum total of incomes available as a target for advertisers—the amount of “advertisable income,” as one might say—is much smaller in this country. Moreover, the advertiser might offer considerably less money if he could not choose the programmes. The chances are that the new corporation would go broke.

But once minds have been opened to the possibility of a middle way, of something that is neither Ariel nor Caliban, an almost infinite variety of prospects opens up. Let us speculate a little. The BBC plans to create a second television programme. This seems to indicate that a margin of money sufficient for the purpose exists, or can be created, within the revenue raised by licences. Moreover, the Post Office still keeps some of the licence revenue. The public subscribes this money, not for the BBC, but for broadcasting. Why not take some of it to help out the new, second corporation, which with its two sources of revenue would then be better able to put up a good competitive show?

Perhaps, however, still not quite good enough. For it is a very moot point whether television, in the present state of things, could by any means be made to pay unless it were subsidised by sound radio. But if the principle of competition is right when applied to television, surely it is equally right when applied to sound radio? Let the second corporation, the deuterio-BBC, therefore, share some of the sound wave-lengths and, as an inevitable corollary, some more of the licence revenue. By this time, the BBC itself will be getting very poor. So the final stage in this speculation is that

it, too, might be permitted, and under the pressure of poverty willing, to make a little money by advertising, provided it continued to reserve to itself full control over its programmes other than the advertising announcements themselves.

This, of course, is pure crystal-gazing. But opinion on the whole subject is changing rapidly under the impact of party politics, and at each stage in the argument that has been set out above, there would be powerful reasons of politics and finance in favour of going further. It is no longer possible to dismiss such imaginings as pure fantasy. The result would be that the country would have two competing publicly appointed corporations, each dedicated to the principle of public service, each providing both sound and visual programmes, each dependent for the greater part of its income on licence revenue, but each empowered to supplement this revenue by a judicious amount of controlled advertising.

In the opinion of a growing body of people—and certainly in the opinion of this journal—that would be a very acceptable way of organising broadcasting—at least for the next few years, until technical developments permit even more diversity. It would certainly be better than either the present monopoly or the pure commercialism of America. But there is a point that should be noted by the political scientists. If such a result ever comes about, it will not be because wise men have sat down together and thought it out as an ideal system and have then commended it to their fellow citizens by reasoned persuasion. It will be because the subject happened, by accident, to fall among politicians, who then found themselves pushed by the pressures to which they respond along a path which may perhaps, if our speculations are well founded, turn out to be fairly satisfactory. This will not be very pleasing to the practitioners of reason. But it is the way of the world.

Malenkov's Gamble

THE attention of the whole western world was caught by Malenkov's disclosure about the hydrogen bomb, and his speech to the Supreme Soviet also included a variety of tempting tidbits suited to the palates of individual nations ranging from France to Japan. Yet it is arguable that the passage in the speech of greatest import to the free world was one of which it took little note, and which was primarily intended for the Soviet public. For almost an hour Malenkov criticised the present state of Russia's economy, and he appeared to be announcing a striking change of economic policy. The Russian economy is the pivot on which the whole Communist world effort turns. It supports the Red Army—and the Soviet atomic energy projects; its achievements are the bait held out to draw other peoples into the Communist camp; its material resources and its vast labour force are the hard core of

Communist power. Malenkov has now thrown some glaring light on the present condition of this normally shadowed monster, and pointed a new path for its future. What does this revelation amount to, and what has the world to hope or fear from it?

First, in a long historical panegyric, Malenkov repeated the familiar and impressive story of the development of heavy industry in the Soviet Union to a point where, on his showing, 38 million tons of steel, 320 million tons of coal, 52 million tons of oil and 133 billion kwh of electricity will be produced in 1953. Since 1940, output of “means of production” has trebled, while output of consumer goods has only risen by 72 per cent. He drew many comparisons with the Russia of thirty years ago, and took the opportunity to denounce “Trotskyites and right-wing traitors who . . . demanded the transfer of funds from heavy to light

industry.” The party was praised for having resisted this fatal error; but no shred of credit was given to Stalin. Indeed, Malenkov, having only lately acquired full responsibility, seemed to feel free to expose the dead master's failures with unusual frankness when he turned to review agriculture and light industry. While agreeing that it had been right to make these the Cinderellas of the Soviet economy, he spoke at length of “entire districts where agriculture is in a neglected state,” of failures in production of potatoes, vegetables and livestock, and even of inadequate fodder. Taxation policy as regards the collectivised peasants' personal small-holdings had been wrong and harmful; the collective farms themselves had been inflating their harvest statistics. As to consumer goods, they were not only scarce, but also shoddy.

We lag behind in the quality of consumer goods. . . . To the shame of industrial workers, the consumer often prefers foreign products. . . . A customer wanting some necessary article often has to go to another town. . . .

Malenkov went on to speak of jerry-building, of inadequate housing at new industrial centres, and of failure to provide schools and crèches. This was something more than the familiar denunciation of a particular industry or ministry. The strictures covered the whole range of items nearest to the ordinary citizen's heart—food, clothing, household goods, housing, schools. Small wonder that, according to the Communist press, Malenkov's frank exposure of present shortcomings has pleased the Russian public.

★

His promises have an even more pleasing sound. The Soviet consumer, that long-forgotten man, is now promised “within two or three years” (Malenkov used this phrase a dozen times) much more meat, fish, butter, sugar, clothing and household goods of all kinds, with better quality and nation-wide distribution. The peasant is to be taxed less, and paid more for his produce; his tax arrears will be forgotten, and the development of his personal smallholding encouraged—a concession to his property instinct which ironically recalls the fact that Beria was condemned for seeking to undermine collective farming and to restore capitalist ways. And all these concessions come on the heels of those announced earlier this year, such as the cuts in the turnover tax on consumer goods and on the amount of wages annually diverted into state loans.

This is a bid for popularity of a kind unprecedented in Soviet history. Under Stalin, small slices of the growing national cake were often passed on to the public, but never on this scale. The targets set for consumer goods in Stalin's last five-year plan are now swept aside; next year the retail trade turnover must reach the level promised for 1955. The implication is clear. Malenkov presents himself to his people as the efficiency expert, the man who can deliver the goods far faster than his cautious predecessor.

“All things to all men” is, indeed, no unfair descrip-

tion of the new management's policy. Malenkov assures the Soviet conservatives that heavy industry will be pressed forward as before; but almost in the same breath as his denunciation of the heretics who would divert funds to light industry, he speaks of “including the machine-building and other enterprises of heavy industry on a larger scale in the production of consumer goods.” The peasant will be paid higher prices for his foodstuffs, but the consumer will pay no more when he buys them. Taxation is to be cut at the same time that subsidies are increased.

Yet it is one thing to sign a promissory note, another to keep one's promise. Malenkov's notes are all redeemable “in two or three years.” He should have no difficulty in creating an immediate impression of comparative wellbeing. One of Stalin's cautious habits was apparently the accumulation of huge reserve stocks, some of which can quickly be put on the market. More food and consumer goods can be bought from abroad. Public money can be saved by pruning the overgrown administration. But these are strictly limited expedients which cannot possibly suffice to fill the enormous bill Malenkov has incurred by his dramatic announcements. There remains a gap even larger than that which loomed last week in Zverev's mysterious budget.

Malenkov reveals that the increase in consumer goods is to be achieved “at the expense of other resources.” But what other resources? Heavy industry is to be developed at unrelenting speed; acknowledged expenditure on defence remains virtually unchanged, and a costly hydrogen bomb project is apparently now in hand; agriculture has been promised additional

The Convenience of Cabs

The evil most to be apprehended from a free trade in cabs is, that our streets, like the river, would be more than ever crowded with convenient conveyances. What means the public may find out to avoid such a consequence, without any gentleman undertaking to put down the cab convenience, we do not foresee; but, should it arise, it will be the consequence of our streets having in many cases been built before carriages were invented, while the bulk of the people, like running footmen, had no other means of locomotion but their own legs; and the proper deduction from the discrepancy between old and narrow streets and modern modes of conveyance is, that the old houses must be pulled down and the streets must be widened, not the living multitude denied the use of carts, cabs and carriages. We know, however, as little of the means by which the inconveniences likely to be occasioned by the great increase now taking place in the number of vehicles will hereafter be avoided, as those knew of the present want of the public for cabs who first undertook to regulate hackney carriages. At the same time, the free trade system is wiser than theirs and that of their followers, since, both having reference to that future of which all are equally ignorant, free trade inflicts no present annoyances and curses no class, either cabmen or merchants, with restrictions which cause much present evil and impede future improvement.

The Economist

August 13, 1853

equipment, and nothing is said of the lowering of targets in any other sector of the Soviet economy. Stalin may have been an inefficient administrator, but was he so wasteful that it only needs the touch of a new hand for the Soviet economy to start pouring forth new benefits like rabbits out of a hat?

In his speech, Malenkov himself hints at only two possible means by which this sudden outpouring might be achieved. His emphasis on trade with the free world may imply a new awareness of the losses which earlier autarkic policies have inflicted on Russia. He is more explicit when he calls for higher productivity and lower production costs. In this passage, which serves as climax to the half of his speech devoted to internal problems, he cites severe losses in coalmining, timber, transport and building, and demands that every enterprise should cover its costs. Complaints of this kind and appeals for more productivity are familiar to a Soviet public that has lived with Stakhanovism for decades, and the current five-year plan already required a 50 per cent rise in productivity; but it may be that this time, with an efficiency expert at the helm, an even more intensive campaign is to be launched.

For the rest, it can only be concluded that Malenkov is gambling. Given more carrot and less fiscal stick, the Soviet worker and peasant—particularly the latter—may indeed prove to be even more productive than Stalin dreamed. But they will have to respond quickly and enthusiastically to the new stimuli if Malenkov's self-imposed pledges are to be fulfilled. He has staked his future on this experiment, and retreat is scarcely possible. On the one hand, the pressure from below

is very real; since Stalin's death, the aspirations of the Soviet public have been allowed to grow to such a point that the only way to check them now would be to conjure up a grave external threat. On the other hand, the more conservative minds in the Kremlin must be considerably disturbed by the Malenkov experiment, and any sign that it was failing might encourage them to force a reversal of policy.

What does all this imply for the free world? Although the Malenkov experiment is still in its early stages, some tentative conclusions may perhaps be reached. In reaching out for his goal, Malenkov seems to have made himself at least temporarily dependent on two factors not wholly under his control—a continued international *détente*, and more trade with the West. If this dependence is real, it must affect the bargaining strength of the parties in any future parleys between the great powers. Yet, if the Soviet experiment fails, Malenkov (or those who replace him) may find it necessary to increase international tension in order to persuade the Russian public to tighten its belt again. There would thus seem to be clear limits to the extent to which the West can bargain. But in addition to these facets of the more immediate situation, there is surely a long-term conclusion to be drawn. If Soviet Russia is now moving, for the first time, into a phase of its life in which the consumer, the ordinary man in the street, is no longer a forgotten man but a significant and growing political force, the whole range of Communist policies may have to be adapted, perhaps in startling ways, to fit this new situation. In that case, the free world too will need to do some intensive rethinking.

“This Desirable Residence . . .”

DURING the last two years a new feature has appeared in the suburban landscape; estate agents' notice boards, after mouldering in dark places for a decade, are being rescued and repainted in increasing numbers, and fixed to house fronts, declaring them “For Sale.” This is the outward sign of a change in the market for houses with vacant possession that is being watched with misgiving by perhaps as much as one-third of the householders in the country.

The pressure for houseroom since the end of the war has led a good many people, who would have preferred rented accommodation, to sink their savings in house purchase as the only way of finding a home of their own. Licensing has until recently restricted the chance of building a new house to those in a few special categories, and existing owner-occupied property has a very slow turnover (in the sense of sellers who leave the market entirely, as distinct from those who remain in the market to seek another house). But the operation of rent restriction since the war has kept the market supplied with a steady flow of houses for sale with vacant possession.

What landlord sought to re-let a controlled house as it fell empty when by yielding to an importunate purchaser he could often realise a sum that would earn twice as much in gilt-edged as the house would yield in income? By making landlordism unprofitable, the Rent Acts have helped to create a new class of property owner, and in the process to restore the building society movement to something like its prewar prosperity, in a period when its customary business of loans on new private houses has been almost unobtainable.

Competitive bidding and a plentiful supply of money continuously drove up the prices of houses sold with vacant possession, until by the end of 1951 any empty house in the medium ranges was worth three or three and a half times as much as it had been when it was twelve years younger—often twelve years of wartime neglect or even damage. On the whole, it was the dearest houses whose prices increased most rapidly—possibly because the operation of the Rent Acts held back the market in small property bought for investment and no for occupation, and thus tended to depress the value

tions on which building societies cautiously based their advances. But the almost continuous rise up to 1951, and the sharp downward turn after that date, are common to all classes, as is also the present uncertain equilibrium. Houses worth under £2,500 are generally said to have fallen by from 10 to 15 or even, in some areas, 20 per cent from the peak prices of 1951, and dearer houses by anything from 15 to 25 per cent, although in exceptionally prosperous areas (in Bournemouth, for example) the fall has been much less. On the whole, it is the dearest houses and the smaller pre-1914 houses whose prices have fallen most heavily and whose equilibrium is even now most precarious.

★

Until 1951, the consolation of those who snatched in a hurry for a house for which they paid thus extravagantly was that others were doing the same, and that their savings were appreciating in value as prices rose. For people with little financial margin to spare, moving from one town to another became a matter of balancing the simultaneous sale and purchase of houses in an operation as full of anxiety as crossing a deep stream from one boulder to the next. But movement was not impossible, and people who were accustomed to dealing in money terms of a few pounds per week could still manage the buying and selling of a single capital asset worth a hundred, or even a couple of hundred, times their weekly wages, with a margin for error. The change from a sellers' to a buyers' market since the end of 1951, however, has altered the position quite radically for owners without other resources. A fall in house prices has social effects quite different from a cheapening of any other commodity, not only because houses cost so much relatively to incomes, but also because the owner occupier's personal stake is usually limited to the narrow margin between total cost and mortgage—the margin which is eaten up by a fall in price.

When house prices are rising the man with a £2,500 house which he bought a few years ago with £500 and a £2,000 mortgage is no doubt annoyed at having to pay £3,000 for the same kind of property if he moves to a new town. But if he realises £3,000 for his old one he has in place of his original £500 a sum of £1,000 in hand and can start again with a mortgage of £2,000 as before (ignoring some out-of-pocket expenses). The reverse process, however, is not so satisfactory. Suppose the same £2,500 house, instead of rising in price, drops to £2,000—or anywhere near it. The seller, after clearing his mortgage, is often left without the ready means to buy even the cheapest house in its place. If he has other resources with which to start buying again, he is, of course, no worse off in the long run for exchanging houses on a falling market (that is, if he buys an identical house in another town for £2,000, with a £1,500 mortgage, he is still in the position of owning a house but with £500 less of debts to set off against his lost £500—so that, in an accounting sense, he is all square). But few people can see it like that, and still

fewer can find a second large sum in cash. The majority are faced with the choice of staying where they are or of living in furnished lodgings. The effect of such a situation on the mobility of the people concerned is almost certainly crippling. How many people are tied to their homes in this way it is difficult to guess. It depends on estimates of just when the curve of house prices on its way up passed the point it has now reached on its way down again; if it is assumed to be as long ago as 1948, building societies have issued mortgages to a million and a half people since then, which gives some indication of the number of people who may have been stranded by this receding tide.

The several reasons why vacant houses have fallen so sharply in price are obvious, but which factors have most weight it is hard to say. In the case of houses from £3,000 upward, the greater scarcity of ready money is obviously the most important. Fewer small businesses are making the bountiful profits that enable their owners to have the house they fancy at any price. The rising cost of living, affecting the upkeep of big houses, is also a constant pressure bringing more of them on to the market. More generally, the increases in the Bank Rate that followed the last change in government, and the anticipation of strong anti-inflationary measures were sufficient to make people “wait and see” before buying houses, and so start prices on the downward path, although the increased interest rates on mortgages were in themselves probably of little importance to intending purchasers. The promise of freer private building under a Conservative Minister of Housing also had an effect even before the end of 1952, when development charges were finally abolished and the permitted proportion of building licences for private enterprise raised to half the total number of new houses. Yet a third factor which deserves mention is the reaction of lenders on mortgage. Bank overdrafts have been tightened up, which may have affected a few purchasers of bigger houses; but even more important, the rank and file of buyers have become aware of the building societies' increasing reluctance to lend as generously as before on second-hand property, especially of the older type.

★

How much further prices will fall before reaching equilibrium is a subject of considerable speculation. It depends, of course, very largely on the speed and cost of private enterprise building. Until this year, the difficulty and delay in obtaining a licence to build a new house kept the price of existing second-hand houses well above the cost of building their counterparts from scratch. This margin (the value of the “bird in hand” to the prospective buyer) is disappearing now that restrictions on private building are coming off. Indeed, even some postwar houses sited in less popular places have been reselling at less than cost.

For a long time, however, the general costliness of houses relative to other commodities is likely to equate

the values of the so-called "modern" house of post-1918 vintage with that of new building. The "old" pre-1914 properties, on the other hand, while not unaffected by present-day costs, are drawn into a different orbit—that of the property investment market. It is the unique feature of houses as a commodity that the prices of intrinsically similar specimens are subject to such a variety of arbitrary influences. Old houses within the sphere of the Rent Acts—which includes the vast majority—and whose tenants, if any, therefore have security of tenure, realise three distinct prices according to whether they are valued as investments, for sale to the sitting tenant, or with vacant possession. The second and third alternatives represent a lesser or a greater degree of monopoly value to the seller. As new building gradually increases the number of houses for sale, buyers will be able to discriminate more than they did between the modern and the old-fashioned types, and the gap between their price-levels is bound to increase.

But so long as statutory tenancies under the Rent Acts remain in force for the majority of old properties, they cannot flood on to the market in great numbers; and so long as new building costs remain high and so keep modern houses out of reach of many people, an element of monopoly in a limited "cheap" market seems likely to persist for any old house offered with vacant possession. The biggest total fall in price will probably occur in the large old houses, too big by modern standards for single residences, passing out of temporary occupation for commercial or institutional use, and uneconomic to adapt to modern requirements

so long as local authorities can exercise a rent control on all newly converted flats.

Is there any moral to this story of boom and slump in the housing market? Probably none, unless it is the old truth that the aftermath of inflation must always hurt somebody; or the other old truth that control of prices, by creating anomalies, tends in the end to create as much injustice as it prevents. The moral is not, however, that home-ownership is itself an institution to be discouraged. The popular objections to it on the grounds that it discourages the mobility of labour are obviously true, and in times, like the present, of falling prices the financial barriers to movement are often absolute. But in normal times the greater reluctance to leave an owner-occupied as compared with a merely rented house is usually psychological and sentimental rather than financial. It is easy to exaggerate the social drawbacks of widespread home ownership, but the advantages can hardly be overstated. At a time when thrift has ceased to be a national habit and capital accumulation by whatever means has become an urgent necessity, the widespread practice of house-buying by people of small means represents a pure gain of considerable dimensions to the savings movement. By buying houses on mortgage during the best earning years of their lives, people who would not otherwise save a penny contrive to put by large sums invested in an essential capital asset. And this holds true whether the houses they buy are new or second hand. Any fashion which encourages thrift is not to be despised.

Notes of the Week

Conflict of Powers in France

WITH two million strikers paralysing the public services of France and the movement spreading to private industry, the initial cause of the outburst has been forgotten. The strikes are not now against governmental decrees, nor even against the principle of government by decree. They are clearly an attempt by the left-wing parties to change the parliamentary balance by outside action, to impose the right of opposition by strike. Unable to topple a centre-right government in the Assembly, they are trying to register their vote of non-confidence outside the chamber. It is a near-revolutionary situation which must cause France's patient allies the deepest concern.

The disparity between cause and effect is grotesque. Any

French government would have to take immediate measures to close the budgetary gap and long-term moves to prevent an almost permanent state of semi-bankruptcy, unjustified by France's natural and human resources. The decrees were only first cautious steps in the direction of solvency. Everybody in France agrees that the economy of the country cannot be restored without an operation, yet each successive doctor loses his job on producing the knife. From M. Laniel the workers are apparently unwilling to accept even pills. The decree on the age of retirement of public servants, the immediate pretext for the outburst, has finally proved fairly innocuous and the Government has expressed its willingness to discuss any grievances. Yet the strikes are unabated. The newcomer Laniel is paying the penalty for the inaction of his predecessors, and the workers mistrust profoundly any reform initiated by right-wing politicians.

Already under suspicion as a rich man's team, M. Laniel's

government committed one grave mistake. The special powers granted to it did not include the right to change the fiscal system. Presenting its programme piecemeal, it left itself open to wild accusations that it soaks only the weak—the civil servants or small shopkeepers—and spares the rich. At this point the Socialists had to jump forward in defence of the people who vote for them. The government may not be given the opportunity to disprove its critics, for the Assembly is hiding its head in the holiday sand. Meanwhile, M. Laniel, armed with special powers, sticks to his guns. Yet, with the threat of an imminent general strike, the few additional signatures—besides those of Socialists and Communists—needed to reconvene the Assembly may be found. The deputies will then have to make up their mind whether they still stand by M. Laniel or accept the dictation of the strikers and choose a surgeon more acceptable to them. The Socialists in particular will have to ask themselves whether, in trying to seize the leadership of the workers from the Communists, they have not played clumsily into their hands and let loose a movement against parliament that they will be unable to control.

Will Beria be Tried?

IT is by no means certain that Beria will be brought to public trial. On the last day of its session last week the Supreme Soviet approved, it is true, a governmental decree dismissing the former deputy premier and transferring his case to the Supreme Court for consideration. But this was a routine decision. More significant may be another decree, to which the same body affixed its rubber stamp, dismissing the present Soviet attorney-general and putting in his place Roman A. Rudyenko. This man is remembered in the West as the Soviet prosecutor at Nuremberg and has been attorney-general in the Ukraine. At the same time the election of three new members of the Court was approved. Otherwise, the Beria affair seemed to be played down during the Supreme Soviet's meeting and vituperation was left to two second-rate performers from his own native Georgia. One of them, A. I. Mirtskhulava, spoke with particular vehemence against the "traitor" who had attempted—of course without success—"to sow discord among Soviet people."

In anticipation of the verdict at a trial that may never be held, Malenkov's former left-hand man has already been deprived by the Supreme Soviet of all his titles and orders. This presumption of guilt contrasts strangely with the promises of "liberalisation" heard in the early days after Stalin's death. For the moment, at least, this trend must be judged to have been checked. Throughout the Supreme Soviet's proceedings there was no reference to the "constitutional rights of the Soviet citizen" and no mention of the amnesty. The project of a new legal code, which was to have been submitted to the Supreme Soviet within thirty days of the amnesty, seems to have faded into thin air. These facts seem to add further weight to the view, paradoxical though it may seem, that the police chief Beria was personally identified with the relatively liberal policy initiated between March and June. But they do not answer questions about his motives, which may have been those of personal ambition, of realistic statesmanship or of sympathy with all that Stalin had repressed.

The Liberals Win in Canada

THE Liberal Party in Canada has won the federal election with a loss of no more than ten seats. There is a possibility of minor change, as a result of recounts or from late voting papers from the Canadian forces overseas, but the results so far give the Liberals 171 seats, the Conservatives 50, the Co-operative Commonwealth Federation 23, Social Credit 15 and Independents 6. The Conservatives gained only two seats; CCF and Social Credit strengthened their holds on Saskatchewan and Alberta respectively. Mr St. Laurent has a working majority of 67 over every possible combination against his party, and in fact three of the independents are more likely to be on his side of the House than the other. Canada has clearly decided that it is not time for a change. Few thought that the result would be otherwise; indeed the only noticeable changes in the volume of support the Liberals have received in each province appear to have been in Saskatchewan, where they lost ground on the Government's refusal to push ahead with a large irrigation and hydro-electric power project on the South Saskatchewan River, and in Newfoundland, where they gained ground federally from the drive shown by Mr Smallwood's provincial Liberal government in fostering new secondary industries in the island. Above all, the Government has had the benefit of Mr St. Laurent himself as its leader. Canada is so vast that the personality of the man at the head of affairs is extremely important. He must be someone with whom every voter can feel he is at least acquainted, and Mr St. Laurent has become that kind of man.

But, in the end, the election has answered only one question: should the Liberals be given another term of office? It was not fought on any real major issue (the Conservatives' offer to reduce taxation by \$500 million was not an issue; it was a bait). It leaves the Government still facing its main preoccupation, external trade, with no more guidance from the electorate than the comment that it has done all right, so far. The Canadian Government is just as concerned over United States trade policy as this country is, and for very much the same reasons. It has the added anxiety of watching the price of wheat begin to slip, and with a record crop now reported. Mr Lester Pearson has still to walk his delicate path in foreign policy, by inclination drawn towards British caution, by proximity unable to move too far away from the Washington line.

Internally, this election, and its result, will have its greatest impact on the future of the Conservative and the Social Credit parties. It will be a long time before a party such as the CCF has any future in Canada (and when it does, its programme will not be that of the CCF today). Until that happens, the only alternative to the Liberals must come from the right. Having failed individually, will the parties of the right combine to create a more effective opposition?

Watchdog on the Boards?

PARLIAMENT set itself a vexed problem when it placed the nationalised industries under the control of public corporations. After the postwar rash of nationalisation and public corporations had subsided, it quickly became obvious

that the new bodies would not of themselves guarantee that the industries concerned—or the overseas ventures like the groundnut scheme—would be profitable or be run solely in the public interest. Parliament soon saw that, as the protector of the taxpayer and consumer, it had to exercise much more supervision than had earlier been thought necessary.

But where was the line to be drawn between direct, day-to-day supervision and general responsibility? And how much information was Parliament entitled to? Was the annual publication of accounts, with their subsequent examination by the Committee of Public Accounts, all that was necessary for Parliament to act as an effective watchdog? In December, 1951, a Select Committee was appointed to answer these questions as they affect the nationalised industries, and its second report was published this week (HMSO, 4s.). In its first report, which appeared last autumn (*The Economist*, November 22nd, 1952, page 523), the committee concentrated on questions to Ministers. In its second it makes much more far-reaching proposals. In brief these are that a new committee of the House of Commons should be set up which would take over from the Public Accounts Committee the work of examining the accounts of the nationalised industries; unlike that committee, however, it would have the power and the duty to have regard not merely to "present and past financial probity and stability but to future plans and programmes," and the power to get information on policy. Its staff should include an officer of the status of the Comptroller and Auditor-General and at least one professional accountant. The proposed committee would probably not be able to examine in detail each nationalised industry every year. The Select Committee therefore suggests that for the information of Parliament as a whole each corporation should publish with its annual accounts

the best estimate it can make of the percentage increase or decrease since the date of its establishment in the average cost to the consumer of its products or services, taken as a whole.

Further, the corporations should also be encouraged to prepare for the committee statements on their anticipated revenue and expenditure.

Perhaps the proposed committee would be a more judicial body if it could include members of the House of Lords—a suggestion the Select Committee regretfully and not very convincingly turns down. But it is to be congratulated on its bold and constructive attempt to ensure that the boards are effectively accountable to Parliament while still retaining their freedom in detailed administration.

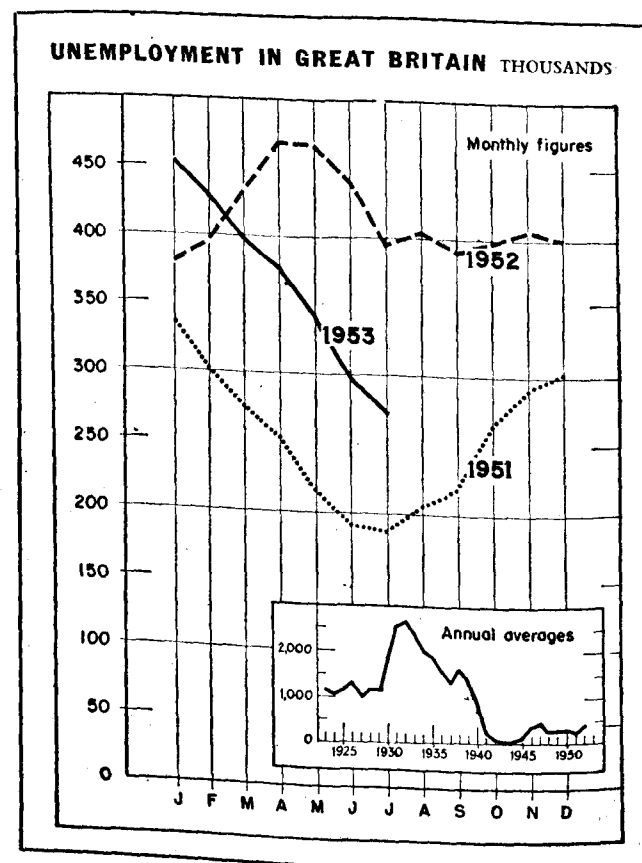
Watching the Watchdog

IF public boards should be made more effectively accountable to Parliament, does the same thing apply to the universities? They are not state institutions, but they are in receipt of a great deal of public money. This is becoming a perennial controversy. Last year the Committee of Public Accounts raised the question; later the Select Committee on Estimates returned to the attack, and last week the Public Accounts Committee struck another and harder blow for Parliament's right to know more.

The striking feature of university financing in this country is that the sum of money voted by Parliament is

handed over to the University Grants Committee, which allocates it to the universities; and that the Treasury does not supervise the expenditure. There has been no criticism of this system as applied to the recurrent grants made for carrying on the universities' work. It is suggested only that the use of non-recurrent grants—those made for new building and equipment—should be scrutinised on Parliament's behalf by the Comptroller and Auditor-General. To this the Treasury replied, last November, that such inspection would have two objects: to see that the money had been used for the purposes for which it was allocated and to detect extravagance. Both these objects, it claimed, were secured by the present arrangements, through the University Grants Committee's auditors and through its works and buildings subcommittee. As the Treasury pointed out, control over expenditure on buildings would inevitably mean some control over academic policy. And that it is precisely what the existence of the University Grants Committee is designed to prevent.

The Committee of Public Accounts is not convinced by this reply. It has been particularly disturbed by what it regards as over-generous treatment of London University. Fears that the Treasury is in general "too generous" seem out of place at a time when the universities are struggling to maintain their existing work against a background of costs that rise faster than their income. Nevertheless, the Treasury and the universities might be wise not to dig in their toes too firmly. The amount of public money now going to the universities has increased too much since pre-war days for the same easygoing relationship to be entirely appropriate. Any sort of control by Parliament over academic policy is, of course, to be avoided—and even control over building projects could involve questions of academic policy. But it is the spirit in which arrangements



are worked that matters, and the universities are likely to retain more freedom if they acknowledge Parliament's right to increased information than if they risk giving the impression that they have something to hide.

Kashmir Coup

ON the question of Kashmir Mr Nehru and his government now appear to stand in a position somewhat similar to that of Mr Liaquat Ali Khan and his cabinet when the tribesmen first raided Kashmir in October, 1947. Mr Nehru, that is to say, must be taken at his word—just as Mr Liaquat Ali Khan was believed everywhere except in India—when he denies complicity in recent events there. But even if the coup last week-end, which substituted a more pro-Indian administration for that of Sheikh Abdullah, was not the work of the Indian government, it seems unlikely that no one in Delhi knew anything about it. The result has been to tighten India's direct hold on the Indian part of Kashmir and to strengthen considerably Mr Nehru's personal position in any further dealings with Pakistan. On the other hand, Sheikh Abdullah was extremely popular in Kashmir, whereas his successor, the former deputy prime minister, Bakshi Ghulam Muhammad, is not.

It is significant that the change has produced riots in Srinagar for the first time since the Kashmir dispute began, and it looks as if India might have won a plebiscite under the old regime but would not now. All this has been the climax to eighteen months of increasing friction between Delhi and Srinagar, in which Sheikh Abdullah, formerly Mr Nehru's friend and protégé of twenty years standing, had spoken and acted more and more boldly in favour of complete Kashmiri independence. Sheikh Abdullah was sometimes suspected, as a Moslem, of trying to lead his countrymen away from India for mixed reasons of religion, personal ambition and honest belief that it was the only road to peace. Whatever his motives or aims, his fault was to be too direct about it, and he is now in custody—after being dismissed by the young Sadar-i-Riyasat or head of the state of Kashmir.

Reactions in Karachi have been anxious and deep. Leaders of the Azad Kashmir movement have been called into conference and public opinion has strongly supported the move of the prime minister, Mr Mahomed Ali, to request a personal meeting with Mr Nehru at the earliest opportunity. If Mr Nehru's design continues to be to do nothing, he is in a better position to pursue it. But by so patently thwarting Pakistan's hopes, these latest events have precipitated a fresh crisis which may yet end in a serious renewal of dangerous Indo-Pakistani tension.

Bluntness Fails in Japan

MR DULLES'S visit to the Far East had two main purposes, only one of which—the wooing of Mr Rhee—has been generally remarked. The other concerned Japan. During his brief stay in Tokyo, the Secretary of State seems to have spoken with unusual bluntness to the

prime minister, Mr Yoshida, on the subject of Japan's contribution to its own defence. The armistice in Korea has made the Americans more anxious, and the Japanese more reluctant, to settle this question. Mr Dulles, apparently, asked rather tartly why Japan could raise only four divisions when South Korea had seventeen; Mr Yoshida, on the other hand, is inclined to think that the now strong South Korean army is a shield behind which his country can feel at ease without assuming too great a burden itself. Japanese confidence is further increased by the knowledge that the United States, prevented by the armistice from increasing its forces on Korean soil, but anxious to have reserves not too far from a battlefield that may come to life again, has already added a third division to its security force in Japan.

It is clear that there will be little immediate response to Mr Dulles's exhortations. But it is far from clear what the Secretary of State hoped to achieve. An article on page 459 describes the atmosphere in which Japanese rearmament has now to be discussed in Tokyo. On the one hand, the Yoshida government is already in a weak position *vis-à-vis* the opposition parties whose common factor is anti-Americanism. On the other, the Japanese are fully aware that the more slowly they respond to American appeals for rearmament, the greater their prospects of getting more economic aid. In these circumstances, every move which reveals America's anxiety that Japan should rearm at once is likely to be self-defeating. Given the present international climate, the Secretary of State might well consider whether it is now wise or necessary to press so vigorously for the rearming of a Japan which, like a number of other countries, has come to look upon the strengthening of its own defences less as a national interest than as an act of grace towards the United States.

Troubles in Ceylon

IN spite of widespread strikes and disorders the Ceylon government is standing firm on its budget decision to cut food subsidies. The troubles started with a three-hour strike of dockworkers in Colombo; but later there were more general disorders, and a demonstration outside the House of Representatives which led to violence. In parliament the opposition parties temporarily joined ranks and staged a walk-out; the Communists have not been slow in turning events to their own gain.

The budget proposals presented on July 23rd attempt to deal with Ceylon's steadily worsening economic position. Its gravest feature is the adverse balance of payments, which has resulted in a reduction of foreign assets to 685 million rupees at the end of June compared with 999 million rupees in June last year. Though some improvement, resulting from the restriction on imports, has occurred in the past six months, more fundamental measures are required. An important part of the government's programme is the six year development plan; but the funds to finance this project are lacking. The government therefore found it necessary to reduce its ordinary commitments so as to provide development capital out of revenue. The axe fell on the food subsidies. Imported rice and wheat formerly carried heavy subsidies; in the case of rice the government paid

oh the average 82 cents per measure (of 2 lb) which it sold to consumers at 25 cents. As a result food subsidies, costing the government 255 million rupees in 1951-1952 and in 1952-53 161 million, take over a fifth of the revenue.

The disputed decision puts a heavy burden on the labouring classes, whose main food is rice. But the government was able to soften the blow by increasing the basic ration of rice. This enabled consumers to buy all their requirements at rationed prices, whereas formerly they had to supplement their inadequate ration in the free market at prices well above the ration price. The Ceylon government's fortitude and good sense in relieving the budget of an intolerable burden are in refreshing contrast to the unrealistic policies of other Asian governments.

The Price of Burma's Rice

GREATER co-operation between Asian governments would simplify their individual economic problems. It is absurd, for example, that Burma should be squeezing money out of its neighbours for its own development programme, and thereby threatening the development programmes of these other countries—for example, Ceylon. In recent years Burma has taken full advantage of its strong position in a sellers' market to exact high prices for rice sold to neighbouring South East Asian countries. As the entire rice export trade is in the hands of a government body, the Burmese government has been able to dictate prices. In sales to neighbouring countries the price on government contracts has been £60 per ton, which is more by £5 per ton than the price paid by Ceylon for Chinese rice. It is impossible to make a comparison with the so-called free market prices which range from £80 to £90 per ton, as these are artificial markets protected in one way or another from outside competition by government action. There is, however, a general impression that since supply has now caught up with demand the price

asked by Burma is out of keeping with the current market situation. Many of Burma's customers have been reluctant to take up their allocations and there are reports of growing unsold surpluses piling up in the country.

The Burmese government has not so far shown any sign of reducing its price, though it is obviously worried. Indeed, it has sent goodwill trade teams to various countries, presumably in order to sound out the markets. The government's own explanation is that profits from the sale of rice are an indispensable part of its revenue and that it is working on an ambitious plan for economic development to cost more than £500 million over eight years. Most of this will have to be raised internally as Burma, for reasons of its own, has refused American aid; but some help may be forthcoming from the International Bank which has a mission in Burma at present studying the economic position. However, the problem would be simpler if the Burmese government could be persuaded to adopt a more accommodating attitude in regard to future sales of rice.

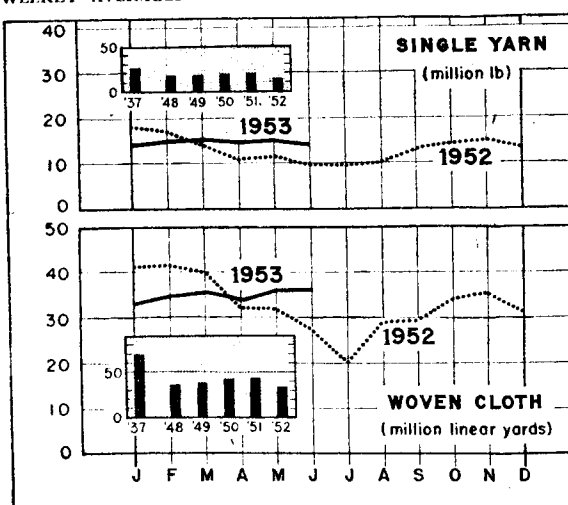
Wages and Exports

FOLLOWING what has become an established annual pattern, the accumulation of wage claims is working up to its autumn peak. It will be a considerably higher peak than that of last year, for the claims are partly a return to the attack on the 1952 agreements, partly an anticipation of the further increase in living costs to be expected as the apparatus of subsidy is further dismantled. The annual conference of the three railway unions has produced a claim for a general increase of 15 per cent. Last year the corresponding claim was for 10 per cent, although the ultimate award was only seven shillings a week.

The engineers' and shipbuilders' claim for an increase of 15 per cent is now being considered by the employers. At the annual conference of the unions' confederation this week the president, Mr H. G. Brotherton, rehearsed the familiar arguments: real wage rates—as opposed to earnings—have fallen since 1947, while productivity has increased and profits have risen uninterruptedly. He discounted the employers' argument that to grant the wage claim would endanger British exports. But the export statistics show that this argument cannot be dismissed so easily. Engineering exports in the first five months of this year were some 3 per cent lower than the average for 1952. In contrast, German engineering products have not lost any ground, and exports of machinery and vehicles from the United States are higher than the average for last year. It is market conditions in 1953 that are important in deciding the wage claim, not calculations of whether wage rates are or are not in real terms higher than in 1947. And why 1947 in any case? Why not 1938?

The engineering and shipbuilding workers have made the argument about higher productivity a speciality; but other unions may adopt it this year. Whereas the small rise in the cost of living provides no basis for large claims, there has undoubtedly been a rise in productivity. But this was only to be expected as there was so much short-time working last year; and again it is the existing economic climate that is important. All the pending and

OUTPUT OF THE BRITISH COTTON INDUSTRY
WEEKLY AVERAGES



higher mileage

is a REALITY!

Avon made certain of it long before the first Avon H.M. tyre was sold... Higher mileage was assured with a tougher rubber compound and a spectacular advance in tread design which permitted extra depth and thickness. Thousands of motorists have now proved higher mileage to be an absolute fact. It must mean a great saving to your pocket too!

Write now for an illustrated folder "The Story behind the Greatest Development in Car Tyre Construction", sent free on request to The Avon India Rubber Co. Ltd., Melksham, Wilts.

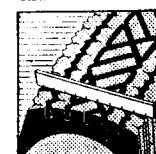


AVON

H.M.



HIGHER MILEAGE
Avon's thicker and deeper tread gives many thousands of extra miles.



GREATER GRIP
The wider Avon tread gives more road contact, extra bite.



BETTER BRAKING
Centre traction bars and multiple slots give extra stopping power.

ALLIANCE

ASSURANCE COMPANY LIMITED



Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL
CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.



"If it's Aluminium
- ask Almin!"

The ALMIN GROUP produces

INGOTS & BILLETS • SAND & DIE-CASTINGS
BARS • SECTIONS • TUBES & FORGINGS
BUILDINGS & ENGINEERING STRUCTURES
CONTAINERS & FOOD EQUIPMENT

PARENT COMPANY **ALMIN LIMITED**

FARNHAM ROYAL • BUCKS • Telephone FARNHAM COMMON 598



The sea in all its moods presents a barrier to world communications. A power barrier—for modern ships need power to overcome it. And the world relies on ships—and the supplies they bring—to fight poverty and raise living standards everywhere.

While you read this, THE BRUSH GROUP is helping mankind burst through this power barrier. Over the waters of the world, in tropical heat and Arctic cold, in storm and calm, ply ships propelled by diesel engines and using diesel-powered electrical generating plant—supplied by Associated British Oil Engines (Marine) Ltd., a member of THE BRUSH GROUP.

BRUSH through the Power Barrier

Every day THE BRUSH GROUP power units are speeding ships through the seven seas, to deliver more quickly—and so, more often—the food and capital goods the world so desperately needs.

THE BRUSH GROUP

Manufacturers of diesel engines and electrical equipment for agricultural, traction, industrial and marine purposes.

The Brush Electrical Engineering Co. Ltd. • Petters Ltd. • J. and H. McLaren Ltd.
The National Gas and Oil Engine Co. Ltd. • Mirreles, Bickerton and Day, Ltd.

DUKE'S COURT · DUKE STREET · ST. JAMES'S · LONDON S.W.1. · AND THROUGHOUT THE WORLD
G 703

actual wage claims will doubtless be scaled down; the policy of the try-on has its strategic advantages inside the unions and *vis-à-vis* the employers. But the effect of even a small rise in wages can be serious. The 3 per cent rise in consumption in the first quarter, and signs of a further rise since, are warning signals of a renewed threat of internal inflation—from which exports would certainly suffer.

Change in Uganda

THE changes to be made in the Legislative Council of Uganda next January, announced in an exchange of despatches between the Governor and Mr Lyttelton, represents a further step towards self-government for the protectorate. The balance between Africans, Europeans and Asians has, however, not been altered, though "unofficials" as a whole will become more influential in the new chamber. At present the Legislative Council consists of 16 official and 16 unofficial members; of the latter 8 are Africans, elected to represent the four provinces, four are Europeans and four are Asians, appointed by the Governor. In the enlarged council, there will be fourteen unofficial Africans, seven Europeans and seven Asians. But the Africans will be indirectly elected to represent districts on the West African pattern, which will mean that they will have constituencies in a more realistic sense. In addition, of the nominated official members, a proportion will be crossbenchers, on the Kenya model, required to vote with the government only on issues of confidence. There will, therefore, be much more room for manoeuvre in the larger house, from which may emerge the political experience and leadership to take Uganda a stage further—presumably to the introduction of unofficial "Members" for various departments as in Kenya or Northern Rhodesia.

★

It is specifically stated that these changes, like the recent constitutional changes in the Gambia, have been brought in on the British Government's own initiative and not as the result of local pressure. In the case of Uganda, the object of the changes seems to be to create a more defined sense of Uganda unity, or nationhood, from the diverse tribes composing the territory. If they succeed in this desirable object, however, the effect will be a strong demand for even greater African representation. Uganda, unlike Kenya and Tanganyika, is not a country of white or Asian settlement, but the shaping of its communal representation at the moment is nearer to the model of the proposed Tanganyika constitution than to that of the West African colonies. The Gambia, for example, suffers from political inexperience in the hinterland, or protectorate. Yet under the recent changes there the method of electing members has been extended; an unofficial majority will exist both in the Legislative and in the Executive Councils; and a first instalment of ministerial responsibility has been introduced.

It may be that the changes prepared for Uganda have been planned with an eye on the uncertainties of Kenya's constitutional future, and perhaps because recommendations about East African co-operation generally may appear in the Royal Commission's report. Although the way is cleared for political advance in Uganda, it is evident that there is no disposition to resort to the forced marches towards self-government being made on the West Coast.

Federation for Nigeria

THE interim communiqué from the Nigerian constitutional conference, which stated that the Northern Peoples' Congress accepted the principle of federation for Nigeria, suggests that the immediate deadlock has been broken. It was perhaps issued to show that the conference is moving to a constructive stage. As long as the Northern Peoples' Congress stuck rigidly to its eight-point programme, there was little prospect of the conference ending in agreement. The Congress's maximum offer was little more than a customs union, with a non-political federal agency to run communications from a neutral headquarters—for which purpose Lagos was to be detached from the Western Region. But the North's stand for autonomy in this form was always intended as a means of bargaining; what matters is the corresponding concessions made by the other Nigerian leaders to keep the Northern Province in the Union, and on this the communiqué was wisely and discreetly quiet.

Everything will depend on the form of federation which emerges from the discussion. The Macpherson Constitution broke down because it was too complicated and because it seemed almost to have been designed to perpetuate at the centre the regional differences of Nigeria; the result of over-legalistic ideas in the Colonial Office's drafting. The federal house proved in effect to be a conference of delegates from the regions, whereas in successful federations—which are fewer than is often realised—much depends upon the breeding of a federal politician quite distinct in attitude and outlook from the "parish pump politician" of the province, state or region. The difficulty of achieving this unity at the centre despite strong regionalism at the periphery is increased in colonial territories by the shortage of experienced parliamentarians, and, indeed, of public servants also. Nigeria is no exception; yet its future as a unified country depends to no small degree upon the evolution of a truly Nigerian federal government and federal administration.

But this can certainly not be achieved if there is a preponderance of southerners, and particularly Ibos, running the North. The North will certainly want its own provincial civil service, partly staffed by expatriates on contract, as well as cast-iron establishment rules which will guarantee a fair share of places to northerners in central administration. Once master in its own house, it may be readier to delegate residual powers to the federation. But the area of sovereignty it will grant the centre will no doubt be limited. It is on these points that the crucial discussions will pivot; and it is to be hoped that the Nigerians will reach a fair compromise upon them, and one that they can unreservedly recommend to their own peoples on their return.

Post Office Losses

THESE August days have reverberated with the strictures of one parliamentary committee after another. The Post Office has the distinction of being under fire by two at once: by the Committee of Public Accounts for buildings that cost five times as much as was estimated, and by the Select Committee on Estimates for its losses on tele-

grams. The deficit for 1953-54 on inland telegrams is estimated at £4,643,000, or an average of 2s. 9d. a telegram. The loss has risen as the number of telegrams has fallen—from 48 million in 1938-39 to about 34 million in 1953-54.

It would seem to follow that one way to decrease the loss would be to stimulate the use of the service. The committee itself seems to think so when it attributes the mounting deficit to the competition of telephones and of a more efficient postal service. Yet it accepts the statement of Post Office witnesses that loss is now inseparable from every telegram sent at present prices and that the fewer there are the better. But it was justifiably baffled by what appeared to be a complete lack of policy about this deficit. Post Office officials ventured no opinion about whether the deficit was too large or what, if anything, should be done to remedy it. Admittedly this is for the Minister to decide; but it is high time that he did so. The Postmaster-General has deplored the dwindling of what was once a handsome surplus to an estimated £5.6 million in the current year. But his thoughts seem to turn to a threepenny post rather than to measures to make telegrams pay.

Yet there is no reason why other users of Post Office services should subsidise those who send telegrams. Still less is there any reason why the public in general should subsidise the press; the cheap rate for press telegrams results in a loss of between £150,000 and £200,000. An increase in the minimum charge to 2s. 6d. or 3s. for 12 words (with the possibility of a slower service at a lower rate) should, as the committee recommends, be considered at the earliest opportunity.

Fine Arts and Finicky Ironwork

THE Royal Fine Arts Commission exists, according to the Royal Warrant that set it up in 1933, "to call the attention of" Government departments and other bodies to any project or development that may "appear to affect amenities of a national or public character." The list of matters to which the commission has called someone's attention during 1952 includes, according to its annual report (Cmd 8888), such diverse items as the tendency towards monumentalism in new generating stations and gas works, the finicky ironwork in a small public garden in Knightsbridge, street furniture (more humbly, electric light standards), Bucklersbury House in the City and Temple Bar. Fitzharris House at Abingdon, and the bridge at Llanfaes, Brecon, also appear on the list, but the commission, it seems, keeps a special eye on London.

The Royal Fine Arts Commission has an unenviable task, although there is no evidence its members do not enjoy their work. It is a kind of national maiden aunt, whose comments range from the traditional "Go and see what Johnny is doing now, and tell him to stop" to the more prim "If I were you, dear, I think I'd do it this way." Neither is likely to excite popularity, although usually the aunt is right. It would be too harsh to say that the function of the commission is based upon the two cardinal principles of the second-rate mind: that for every two decisions deferred, one will never be needed, and that, if enough barriers are placed in the way of positive action, only the right solution will find its way over all of them. The commission is undoubtedly right, for example, to oppose

monumentalism in buildings that are no more than machinery covers. But it is impossible to read this report without recalling some remarks in the report of the team from the electricity industry that went to the United States under the auspices of the Anglo-American Productivity Council:

It is by no means unusual in this country for two years or more to elapse between the selection of a site . . . and the receipt of the final permission to locate the site there. . . . The sponsoring Ministry has to obtain the approval of the Ministry of Town and Country Planning, the Ministry of Agriculture, the Air Ministry, the Ministry of Civil Aviation, local authorities, etc., before the site can be secured and the project commenced. . . . When the architectural outlines are complete they are submitted to the Royal Fine Arts Commission, which may recommend modifications which, again, may be technically difficult and expensive. . . . Yet the relatively free hand given to American undertakings does not appear to have any markedly detrimental results on the types of power station constructed. . . .

A maiden aunt, fifth wheel on a coach, a spanner in the works, or a wise counsellor and friend? The many authorities protecting the past do not always find it easy to play the right role.

Indonesia's Step to the Left

THE news from Jakarta is disturbing. Early last week the two-month-old government crisis was resolved by the formation of a new cabinet under Dr Ali Sastroamidjojo. For the first time since the transfer of power by the Dutch in 1950, the government contained no Moslem representatives from the powerful Masjumi party. The new prime minister is himself a moderate, but the Nationalist party (PNI) of which he is a member runs an increasing risk of becoming the pawn of Indonesia's resurgent Communist movement, and Dr Sastroamidjojo does not represent the real mood of some of the men who stand behind him. Although the new government is in theory just another coalition, it is a coalition of the Left favouring better contact with Moscow and partly dependent on support from quarters where Communist influence is growing.

Indonesia has lately been out of the news, but it remains the vital back door to South East Asia. It is by far the biggest state of the region, nearly self-supporting in rice and rich in natural resources. The period of quiescence since independence, broken only intermittently by incidents like the Westerling affair, by guerrilla lawlessness and by regional rebellions, does not mean that Indonesia's importance can be ignored. Whatever happens there must have a profound effect on neighbouring territories. That is why the effort to set up a parliamentary regime and make it work is of critical significance. The Communists suffered a crushing defeat in 1948 and the new state was launched under far better auspices than at one time seemed possible. But in spite of considerable economic recovery and the gradual restoration of law and order, Indonesia has not as yet managed to clip the wings of its extremists. The failure to hold elections and the personal nature of politics is robbing parliament of authority. Unless Dr Sastroamidjojo can do more to reverse these trends than at present seems likely, Indonesia may yet come back into the headlines for the wrong reasons.

Letters to the Editor

Guide Books

SIR—In my letter which was published in your issue of August 8th, I stated that "it would seem—now that Baedeker has appeared in a new guise under the aegis of 'Shell'—that the 'Blue Guides' and the 'Guides Bleus' are today the only 'classical' guide books that are not copiously subsidised."

This remark, I am told, has caused misapprehension; quite obviously it does not apply to those volumes in the Baedeker series which are published in this country in the original style by Messrs. Allen & Unwin Ltd., and which, happily, maintain the long-standing Baedeker tradition of complete abstention from advertisement.—Yours faithfully,

L. RUSSELL MUIRHEAD
Editor, Blue Guides

The Boothbyites

SIR—In your Notes of the Week of August 1st you said: "Characteristically the Bevanites in this country (and some Boothbyites) and the neutralists in France work with the China Lobby in the United States to make the Atlantic alliance creak and groan." This statement was sharply qualified in your subsequent footnote to the letter of my colleague, Mr Peter Baker; but I should nevertheless be interested to know precisely what you meant by it.

In the recent debate on foreign affairs I ventured to address to the House of Commons a sustained argument based on most anxious reflection, and the experience of five years' continuous membership of the Council of Europe. The concluding passage of my speech was a plea for the strengthening and development of the North Atlantic Treaty Organisation. Prior to that I had expressed doubts as to the wisdom of basing our foreign policy on the European Defence Community in its present form, and a rigid political federation limited to one half of a truncated and partitioned continent, for neither of which is there any great enthusiasm amongst the proposed participants. These doubts are shared by many who can by no stretch of the imagination be classified as neutralists or appeasers, including Mr. Walter Lippmann; although not, apparently, by yourself.

In so far as the term "Boothbyite" can now be associated with the ideas underlying the Strasbourg Plan, I am quite content; but I will not be branded, without protest, as a *saboteur* of the Anglo-American alliance or as an appeaser. I have repeatedly declared my conviction that the security of the free world depends absolutely on the North Atlantic Treaty Organisation;

and on the subject of appeasement I stand, with some confidence, on my record over the past twenty years.—Yours faithfully,

ROBERT BOOTHBY

House of Commons

[We must refer Sir Robert Boothby to his recent speeches. In them, he has, among other things, given expression to two views. First, he is inclined to think that a practicable line of approach to peace, sketched out by the Prime Minister on May 11th, has been spoiled by Lord Salisbury's weak surrender to American views. Secondly, he apparently holds that the Acheson-Bevin policy towards Germany was no more than an improvisation that can be abandoned now that something has happened, or is about to happen, in Russian foreign policy. We do not challenge his sincerity in holding these views, or even his consistency in combining them with belief in the North Atlantic alliance. But we do not think he has any cause for grievance when the obvious practical effect of his expressing them so strongly at this juncture—or the company that it brings him into—is pointed out.—EDITOR.]

Outpost on the Adriatic

SIR—Your article of July 18th on Albania said that this "Soviet outpost on the Adriatic . . . is preserved by the hostility between Yugoslavia and Italy." This conclusion was rather one-sided.

Two main themes have been used by the Tirana Communists in their propaganda, in order to frighten the Albanians into submission: first, that the Western-sponsored "Free Albania" committee is composed of ex-fascists and collaborationists; and, second, that the Soviet Union is the only defender of the independence and territorial integrity of Albania, which is threatened by its three neighbours.

Last June they grudgingly dropped the first theme. But subsequent events have added wind to their bellowing. It is true that a fortnight ago the Balkan Pact Foreign Ministers, as your correspondent maintains, "virtually declared that if Albania succeeded in detaching itself from the Soviet Bloc, they would respect its independence." But it is equally true that soon after, in more than one way, the Greek Government undid all this, by reserving the right to achieve through peaceful means its claims on Southern Albania (or Northern Epirus). This alone is enough to make any Albanian hesitate before acting against the Hoxha regime. But the trouble goes much deeper.

Both Greece and Yugoslavia harbour thousands of Albanian refugees. Both have organised a section, however insignificant, of these exiles in self-styled National Committees. And both have been actively indulging in guerrilla incursions across the frontier. In addi-

tion, Yugoslavia has an Albanian minority of some 800,000. And until 1948 Tito was Enver Hoxha's immediate boss. From time to time the Yugoslav Government has declared that it has no territorial claims against Albania. And just as frequently the Yugoslav-sponsored Albanian Committee has reaffirmed its determination to work for the establishment of an "independent and democratic Albania."

The policy of the Italian Government has been much more friendly and enlightened. It has officially renounced all territorial claims on Albania and has repeatedly emphasised its desire to see an intact, friendly and independent Albania. And the fact that the "Free Albania" committee enjoys full freedom to carry out most of its work in Rome is tangible proof of Italy's good will towards Albania.

It is the short-sighted and ambiguous attitude adopted by the Yugoslav and Greek governments, rather than the hostility between Yugoslavia and Italy, that has lengthened the days of the Hoxha regime. For it must be remembered that no Albanian would ever tolerate a solution, which would replace the Communist regime with the partition of the country and its eventual disappearance. A joint declaration by its three neighbours, guaranteeing in clear-cut and unequivocal terms the independence and territorial integrity of Albania, is the first essential step towards bringing this unhappy country in to the Western fold.—Yours faithfully,

A. ANDONE

Ilford, Essex

The Architect's Dilemma

SIR—Most of the statements in your article of July 25th are an over-emphasis of ephemeral postwar conditions.

As you say, there are 18,000 architects in Britain dealing with 15 per cent. to 20 per cent of all the building work—about the same as before the war, when it was not 5 per cent as stated in the article. There are about 1 million operatives in the building industry and at the present time they represent roughly £1,000 of contracts per year per man, i.e., totalling £1,000 million, and 20 per cent of this, namely £200 million, would then be the cost of the work within the sphere of architects. Assuming that a registered architect earned, or should earn, on the average from bottom to top £700 per annum, i.e., about twice the earnings of a building labourer, the total salary bill of the 18,000 registered architects would be approximately £13 million per annum, to which has to be added overheads, at certainly not less than 50 per cent of the salaries, giving a total cost of £20 million per annum, i.e., 10 per cent of the work with which they are concerned. It has been recognised from time immemorial that a proper charge for the architect is about 5 per cent and, therefore, it is clear that the national charge at the moment is twice what has hitherto been regarded as reasonable. As you say, less than half

the architects are in private practice; and as they cannot in any circumstances get much more, if any more, than the 5 per cent on their work, because that is how they are paid, it would appear that the cost of official architecture (to give the average overall charge of 10 per cent) approaches 15 per cent. Official architecture, that is, costs three times as much as private architecture. When this emerges, there must inevitably be a return to the private architect on sheer economy.

Another point which you did not develop arises from the present output of students. You state that it is 6 per cent a year, i.e., the whole profession is being replaced in 16 years, and as an architect's actuarial work life is about 35 years that would indicate that the output of students is twice as great as is required. But the position is even worse if the rate is over 6 per cent, as indeed it is. It is at least 2,000 students and pupils a year, which represents 10 per cent to 12 per cent, indicating that the output of students is four times what is required to replace the wastage of 18,000 registered architects. But the picture is even blacker than that. If architecture is to remain only a 5 per cent charge on building, and as the amount of building work cannot appreciably increase, there is room only for about 10,000 architects instead of 18,000; and from this it follows that the output of students is eight times the number required to deal with the annual wastage. —Yours faithfully, OWEN WILLIAMS
London, N.W.1

DESIGN IN TOWN AND VILLAGE

The authors are three well-known experts on design and planning. Dr. Thomas Sharp deals with village design; Frederick Gibberd with the design of residential areas; and Professor Sir William Holford with town centres. Fully illustrated.

Bound 10s. 6d. (10s. 11d.)
Paper 7s. 6d. (7s. 10d.)

EXTERNAL MIGRATION

by N. H. Carrier, M.A. and J. R. Jeffery

A study of available statistics providing a broad picture of migration as affecting the United Kingdom since the beginning of the nineteenth century. 8s. 6d. (8s. 11d.)

COUNCIL FOR WALES AND MONMOUTHSHIRE

Second Memorandum by the Council and its four panels, giving details of developments and trends in the economic and cultural fields in Wales and Monmouthshire. (Cmd. 8844) 4s. (4s. 2d.)

Prices in brackets include postage.

H. M. STATIONERY OFFICE

P.O. Box No. 569, London, S.E.1, and Sale Offices in London, Edinburgh, Manchester, Birmingham, Cardiff, Bristol and Belfast or through any bookseller.

Books & Publications

Understanding the Tropics

THE TROPICAL WORLD.

By Pierre Gourou.

Longmans. 156 pages. 18s.

AFRICA: A STUDY IN TROPICAL DEVELOPMENT.

By L. Dudley Stamp.

Chapman and Hall. 568 pages. 68s.

THE failure of the groundnut scheme and the decay of the Mayan civilisation in the seventh century should convey the same warning. The first, according to Dr Stamp, was essentially the price of a disastrous ignorance about the soils of Tanganyika, and the second, according to Professor Gourou, was the result of precisely the same ignorance in Central America twelve centuries previously. The use of the hoe and shifting cultivation, even with unduly short bush fallows, delayed the final destruction of the agricultural land round the superb Mayan cities for a hundred years; the millions of pounds' worth of agricultural machinery at Kongwa came to grief in three or four. But in both countries disaster came from misuse of the impoverished soil of the tropics.

The greater part of the "underdeveloped" countries with which Point IV is concerned lie in the tropics; and the greater part of the free world's problem of poverty and malnutrition also lies in this geographical belt. Although the difficulties of raising agricultural production and living standards in the tropics are far better understood today than even twenty years ago, there is still much unthinking optimism, especially among the manufacturers of agricultural equipment; these books should serve as a corrective. The appearance of a translation of Professor Gourou's classic study is particularly useful by reason of its comparison between the three tropical regions in America, Africa and South-East Asia; and Dr Stamp's comprehensive study throws into vivid relief the differences between the agricultural and economic problems of tropical Africa and those of Mediterranean and temperate southern Africa.

Both books emphasise that the interference with the balance of man and nature in the tropics by western technology has so far been in the main ecologically disastrous. The wrong crops have, over wide areas, been grown in the wrong way, and the degradation of land has in many areas been irreparable. "Dust bowls" in temperate climates can, in time and by the lavish investment of capital, be restored to fertility; but the laterisation of many tropical soils is an irreversible process—a fatal cancer that turns soil into rock,

so that not even natural forest vegetation can reclaim it, however long it is left. But both authors show that a much higher production and standard of life are possible in the tropics without loss of fertility if modern science is combined with ancient wisdom—and with intelligent economics.

Tropical countries, Professor Gourou concludes, should specialise in "colonial" produce in which they hold a monopoly and which, skilfully cultivated, keeps the poor soil in good heart. Sugar, cocoa, coffee, bananas, tea, rubber, palm oil and so on are all tree crops that in some cases may also be grown under shade trees and with artificial fertilisers; they preserve the soil. Many subsistence crops, however, can be safely grown only under irrigation (for the expansion of which there is in Africa immense scope) or between extremely long fallows and in combination with animals kept for cultivation, not for wealth or religious reasons. Before the shifting cultivation practised by primitive people—which keeps the people poor and primitive but the soil as fertile as tropical conditions permit—can be safely replaced by permanent cropping, much agricultural research into soils, pastures, cover crops, pests and rotations is still necessary. In the main, the tropics will be most wisely developed to export "colonial" produce and import the balance of their food requirements in exchange. Any attempt—at least at present—to increase yields rapidly and on the basis of increased local production of foodstuffs to support an industrial population is likely to end in disaster. Yet industrialisation is frequently proposed as the proper answer to poverty, ill health and social backwardness in many tropical countries. It is not an answer in which anyone who has read these invaluable studies in applied geography will persist with undiminished confidence. Autarkic tendencies in world trade are likely, in the long run, to be fatal to the tropical world, however injurious to temperate lands in the meantime; salvation seems to lie in a wise development which makes tropical and temperate regions naturally and increasingly interdependent.

Rich Treasure House

WINCHESTER.

By Brian Vesey-Fitzgerald.

Phoenix House. 187 pages. 18s.

THIS is a pleasant, gossipy book. A visitor to Winchester will find it an agreeable companion for the railway carriage beforehand, and then for his

walks in and about the city. It contains a clear street plan to aid his explorations, and many charming photographs to revive the memories of his tour. Some, though not all, will like the extreme informality of the author's style and approach.

Mr Vesey-Fitzgerald certainly has a perceptive eye; but this work lacks depth of study and of thought. The reader without previous knowledge of the subject may well close the book supposing that he has learned more than is in fact the case. It has been derived too much from "bits" taken here or there, not always in just proportion, from secondary authorities; and too often statements are made on no evidence stronger than that the author "feels sure." Nor are the constant evocations of sentiment very significant; stimulus to feeling is excessively applied, sometimes upon trivial occasion. But the spirit of Winchester will not appear in response to easy magic.

The clear intention has been to write a popular book. While, in so doing, Mr Vesey-Fitzgerald has not avoided the danger of the superficial and the "chatty," the tone and the taste of the work are sound, and the modesty and sincerity of its author are evident. There is an unselfconscious attractiveness in his pages. Yet a place still remains wide open for the thorough and authoritative study of Winchester which in modern times has somewhat strangely been lacking to so ample a treasure-house of rich and varied materials.

Sudanese Administrator

THE MAKING OF THE MODERN SUDAN: *The Life and Letters of Sir Douglas Newbold.*

By K. D. D. Henderson.

Faber. 601 pages. 30s.

A CLEAR history of the Anglo-Egyptian Sudan from 1920 to the end of the last war is given in this book through the medium of the life story of Sir Douglas Newbold. A considerable part of the book is, in fact, compiled from letters written by Newbold to his mother and to colleagues in the Sudan Political Service. It is unlikely that this will be the definitive work on "The Making of the Modern Sudan," but it is certain to remain important to the historian and student. Newbold's letters spare no one, and it is impossible to read a page without a feeling of deep respect and admiration for this splendid administrator.

Perhaps because of the sympathy and understanding he shows for the Sudanese, Newbold appears to have but little appreciation of the Egyptian viewpoint; and since these letters were written the "Egyptian Case," as it has become known, has developed an increasing importance. For example, on his way back to the Sudan from leave in 1924, Newbold was in Cairo at the time of the murder of the Sirdar of the Sudan, Sir Lee Stack, and he wrote to his mother,

The British demands are pretty stiff but

not excessive when you consider this as the culminating episode of a whole series of intrigues and seditious acts.

Yet it was those British demands that scared even the thinking Egyptian into the belief that the British could, if sufficiently angered, deprive Egypt of Nile water on which the country must always depend.

Many readers who have no deep interest in the Sudan and its problems will enjoy large sections of this book. Of these, the early chapters describing Newbold's exploratory trips into the Libyan Desert, which later provided the Long Range Desert Group with valuable data, provide a combination of the best type of travel and adventure story. When Newbold made these journeys, however, his object was more romantic than utilitarian; he and his companions were searching for the Legendary Lost Oasis of Zergura.

The life of a district commissioner, with accounts of treks by truck, camel, horse and on foot over hundreds of miles of little known territory while he studies the different peoples and their problems, is entertaining reading for the non-specialist, and so—in quite a different way—is the "Interlude in Palestine in 1943." It is perhaps in his letters from Jerusalem, Tiberias and Haifa that Newbold, free from the cares of office and the responsibility of administration, shines most. He writes without inhibitions, and his description of the countryside, from "the squalor of the Arab slums to the perpetual Yiddish yammer," together with his political forecasts, is generally accurate and always good-humoured.

However, the important part of this work concerns the administration of the Sudan. Soon after Newbold began work in the country, the completion of the Sennar Dam over the Blue Nile and the opening of the Gezira irrigation scheme converted the Sudan into a land that might in the future be sufficiently rich to pay its way and provide for the expansion of some of the social services. Newbold always feared that the interests of the shareholder would be put before those of the people.

After a few years of work in the Sudan Newbold realised that the educated Sudanese of whatever race or religion must play an increasing role in the Government and in administration until a body of experienced Sudanese civil servants could administer their own country. The war, in which the Sudan played a far greater part than is usually supposed, naturally caused a slowing down in Newbold's plans because, as Chief Secretary of the administration at Khartoum, his first and most important task was to ensure the security of the territory from Italian attack. But throughout the war years he writes without humbug of future plans for Sudanisation. To those Egyptians and others who have so consistently maintained that the British were building up a civil service that would enable them to remain perpetually in the Sudan this book, with its disarming candour and frankness, is the complete answer.

Food and the Future

THE WHITE MAN'S DILEMMA.

By Lord Boyd Orr.

Allen and Unwin. 124 pages. 9s. 6d.

THE white man's dilemma, as Lord Boyd Orr sums it up, is the choice between on the one hand trying to keep the rest of the world in subordination by force—which cannot be done unless the rest of the world remains poor and hungry, which in turn means an inter-racial explosion; and, on the other, devoting enough effort and sacrifice towards raising the rest of the world from poverty and hunger, an aim which means the end of white predominance.

The point is worth making; for comparatively few people have ever really envisaged a situation in which the opinions, prejudices and aspirations of the African or the Malay shall have as much influence in shaping events as the opinions, prejudices and aspirations of Europeans and Americans. One may mentally substitute the notion of elder and younger brother for that of master and servant or tutor and ward, but the imagination boggles at the picture of mutual adjustment under conditions of genuinely equal power. Those conditions may be, on any assumption, centuries ahead; but it is on the conduct of affairs in the interim that the upshot depends, and it is this consideration which gives force to Lord Boyd Orr's plea that the white man should "join the human family"—that the western powers, with or without Russia, should "use their overwhelming industrial superiority to create a new world of plenty."

This thesis is argued—as one unfortunately knows pretty well in advance that this author will argue it—with an amiable but staggering naïveté, a nineteen-thirtyish faith in the existence of a huge unused margin of resources needing for release only the touch of co-operative goodwill and a light-hearted confidence in the ability of scientists and administrators to lift the whole process of food production clear of the sordid influence of commerce and economics. Why, in the last resort, is the world hungry? Because the target of food production has been "not the amount needed to supply human needs, but the amount that could be sold at a profit." (What a usefully emotive word is "profit.") Substitute, with greater accuracy, "the amount that could be sold without loss," and how uncomfortably stark becomes the question of whose shoulders should carry that loss, and to what total, and on what political terms.)

There is often value in naïveté, and so there is here. It enforces a reconsideration of comfortable formulae and unquestioned assumptions. It can sometimes show the outline of a wood where sophistication gets lost in the trees. But the white man's dilemma, genuine enough, needs for its solution something more than the combination of warm heart and woolly head.

Mountbatten Profile

MANIFEST DESTINY: *A Study in Five Profiles of the Rise and Influence of the Mountbatten Family.*
By Brian Connell.
Cassell. 226 pages. 15s.

THE five "profiles," or biographical essays, are devoted to Prince Louis of Battenberg, who was First Lord of the Admiralty at the opening of the 1914 war and resigned the position on account of his many German connections; Sir Ernest Cassell, the self-made German Jewish millionaire who became an intimate friend of Edward VII; his grand-daughter Edwina, who married Lord Mountbatten; Lord Mountbatten of Burma himself, the younger son of Prince Louis; and finally the Duke of Edinburgh, nephew of Lord Mountbatten.

The author is a journalist and the work, though akin to popular journalism, is well done and collects in a small compass a great deal of interesting information. It is illustrated with an abundance of photographs and contains a genealogical table two feet wide. There must be few who would willingly submit to an examination on this item. One might perhaps quarrel with the title, which refers to the Duke of Edinburgh's marriage. "Manifest Destiny" was a phrase coined a hundred years ago to express the fact that the United States, having started on the Atlantic, was bound to reach the Pacific. So it was. No marriage could be more appropriate, but one likes to think that the parties could have avoided it, had they been so minded.

To Lord Mountbatten of Burma is naturally accorded the longest essay, though obviously it cannot penetrate far into such a full and amazing career. Lord Mountbatten ranks as one of the three most brilliant figures, one supposes, of the last war on the British side, a figure much more diverse and much less clearly realised than either Churchill or Montgomery. Mr Connell, while a whole-hearted admirer, does not conceal the fact that various features of his hero's career have been subjected to unfavourable criticism. Some day this extraordinary man, by birth almost a royalty, by marriage almost a millionaire, simultaneously in his youth a brilliant naval officer and a member of the smartest of smart sets, and then, when only just over forty, entrusted with a series of stupendous responsibilities and emerging triumphant from each of them, will provide a splendid subject for biography.

Early Trade Unions

ATTEMPTS AT GENERAL UNION: *A Study in British Trade Union History, 1818-1834.*
By G. D. H. Cole.
Macmillan. 218 pages. 16s.

IT is well enough known that the agitation for parliamentary reform which culminated in the Great Reform Bill of 1832 was accompanied by a

number of other reform movements, although too few of their details are understood. In this new book, a revised and amended version of an article published at Amsterdam fourteen years ago in the *International Review for Social History*, Professor Cole puts straight the story of the nationwide trade union movements of the period. He supplements the Hammonds, corrects the Webbs, and has little difficulty—though he has taken much trouble—in showing that the early unions were far less black than they were painted at the time by their opponents. Their principal objects were the obvious ones of raising wages and reducing hours of work; their leaders sought to combine workmen from as many trades as possible, in order to exert more powerful leverage on employers. As a side-issue, they sometimes embarked on co-operative production for their members' benefit.

The salient impression that emerges from their own long statements of their aims quoted by Professor Cole is one of infinite pains devoted to improbable projects for the betterment of mankind. Most of the accusations of secret, nefarious plotting that were levied against them seem to have derived from an innocent masonic element present in many of their initiation ceremonies (the ritual for one of these is given in full). There was, however, a pronounced degree of secrecy in the affairs of the great Yorkshire Union, of which the exact nature consequently remains obscure. Less obscurity surrounds the work of Robert Owen, the founder of the last and greatest of these bodies—the "Grand National Consolidated Trades Union" of 1834, which was crushed out of existence through a more effective combination of employers. Open as the day, Owen possessed, as the author says,

an unconquerable optimism, even in the hour of utter defeat. In fact, he never knew that he had been defeated. He simply collected a fresh audience, and went on saying the same thing.

"Attempts at General Union" is written, with forceful economy of phrase, by an authority entirely at home in his period; it clears up dark passages for experts, and explains to anyone interested in the development of an industrial revolution much of what it may feel like to the working men involved.

Shorter Notices

THE RESTLESS ATMOSPHERE.
By F. K. Hare.
Hutchinson's University Library. 192 pages. 8s. 6d.

In this book Professor Hare draws upon recent developments in dynamic meteorology to give an account of climate not as something of means and averages, but as the constantly changing result of what is shown to be very truly "the restless atmosphere." After describing how the weather is made with a clarity and economy admirably suited to the non-specialist, the writer proceeds to a series of brilliant summaries of the climates of the various continents,

in which he shatters many of the established notions even of such a well-known area as Europe. It is an admirable book, to be strongly recommended to anyone seeking the explanation not only of the normal climate, but of such astonishing variations from the mean as afflicted Britain in Coronation week. For the geographer, and for anyone concerned with life and development in overseas territories, it is essential reading.

★

STABILISING CONSTRUCTION: *The Record and Potential.*

By Miles L. Colean and Robinson Newcomb.
McGraw Hill. 340 pages. 51s.

This is another research study sponsored by the Committee for Economic Development, the organisation of American businessmen that has given so much thought to the problems of maintaining a steady rate of growth in the American economy—and which has provided more than one important adviser for the new Republican administration. Across 175 pages of text—and 148 pages of largely statistical appendices—Messrs Colean and Newcomb set out an excellent analysis of the essential instability of expenditure on construction and of its contribution to cyclical crises; and then, in effect, express their intense dislike of "special interventionary actions to alter the flow of investment into construction" except in the "presence of most unusual strains." They believe that main reliance should be put upon a "freely operating price system, continuous technological advancement, adequate market information, and a political environment in which it will be possible for people to save and profitable for them to invest." Nobody denies that clean living is the best way to good health, but that is really not sufficient reason to deny that it is sometimes necessary to take medicine.

★

ATLAS OF SIERRA LEONE.
Edward Stanford Ltd. 20 pages. 12s. 6d.

This atlas has been compiled by the Survey and Lands Department of Sierra Leone. It contains climatic, physical, and economic maps as well as useful large-scale maps of the principal towns in the colony. The gazetteer contains some 500 names of towns and natural features; chiefdom names, which will be of interest to administrators, are also included. Some information is provided on communications, exports and land area by administrative and natural regions.

The economic geographer will regret that the economic maps have been allotted so little space and political maps of the world, and of Africa, so much. Thus no fewer than ten agricultural crops of varying degrees of importance are crowded on to a half-page map of agricultural products; the reader will find it difficult to understand the result. The mineral map, too, could have been more effective if the main areas of mining production had been shown, if possible on a quantitative output basis, instead of, or better still, in addition to a general map of mineral reserves. Iron ore, chrome, and diamonds, in particular, would have benefited from a more detailed treatment. These criticisms aside, however, this atlas represents an interesting and useful addition to knowledge of the Gold Coast; it will assist teachers of geography in the colony.

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.

Democrats Close Ranks

Washington, DC

AS the members of Congress turn homeward for a modicum of rest and a plethora of speaking engagements, and Mr Adlai Stevenson turns homeward to an unpredictable future, considerable attention is being paid to the position and prospects of the Democratic party. It is a scant nine months since its defeat at the hands of General Eisenhower. This defeat ended a period of two decades of almost unbroken supremacy in national politics, and it was achieved, in the presidential race, by a majority of six million votes. The Democratic candidate, Mr Stevenson, carried no state outside the solid South, and the South demonstrated its lack of solidity by partially disintegrating into the lap of Mr Eisenhower. Since this cataclysmic event, the public opinion polls show that the new President has held his personal popularity intact, and enjoys the approval of something like three-quarters of the voting public.

In the face of all this, it is remarkable that the Democrats today seem full of resurgent confidence and fighting spirit, while their successful opponents appear troubled, divided, and apprehensive. One reason for this is that, while Mr Eisenhower was piling up his majority of six million, Democratic candidates for seats in the House of Representatives, taken as a group, polled some 200,000 more votes than their Republican adversaries. The Republican majorities in both houses of Congress were mathematically about as small as they could be; this meant that the Democrats in Congress have enjoyed the greatest amount of power that is possible without the counterbalancing responsibility of having control. The smallness of the Republican majority in Congress also indicated that the party, even after twenty years of Democratic mistakes, could not win the confidence of the country, but had managed to get a precarious grip on its affairs only through the magical and essentially non-political popularity of the Republican presidential candidate.

With this comfortable feeling in the background—a feeling not unlike that which permeated the British Labour party in the first months after its defeat in 1951—the Democrats have also been in a position to enjoy to the utmost the spectacle of a Republican Administration suffering from the kind of irresponsible attacks from right-wing extremists that had so plagued the Democrats themselves in the declining years of their dominance. The splits in the Republican party, never well concealed, have become every week more obvious under the burden imposed on the ruling party in the United States by the dichotomy

of power and responsibility between the Executive and the Legislature, between the White House and "the Hill." With the removal of Senator Taft's parliamentary skill these splits are likely to become more noticeable yet.

Meanwhile, the Democrats, who were as badly divided in the days of their supremacy, have rarely shown their differences during the congressional session, and then with a mutual forbearance that was as pretty to behold as it was unfamiliar. In the bitter debate over the offshore oil Bill there was all the fuel necessary for a good old-fashioned intra-Democratic row, but the expressions of disagreement between Democratic legislators from the conservative and offshore-oil-owning South and those from the Fair Deal North were accompanied by a gentle sound of bowing and scraping, never heard in Mr Truman's time. Those responsible for Democratic strategy point out that the Fair Dealers had not been pressing the issue of civil rights for Negroes in such a way as to injure the sensibilities of their southern colleagues; hence the Southerners were prepared to respect the feeling of political necessity which forced the Northerners to oppose the return of control over offshore oil to the states.

This was followed by the Supreme Court's ruling that it would hear further arguments before making up its mind on the cases involving the explosive issue of racial segregation in the state schools. Democrats see in this a direct challenge to the Republicans; as a high official of the party said, figuratively rubbing his hands in glee,

Mr Brownell [the Attorney General] will have to stand up in the Supreme Court and oppose segregation, and that will be front page headline news in every newspaper in the South.

In other words, the Republican effort to woo the South will run headlong into the necessity not to alienate the North, and the Administration will find itself in precisely the same dilemma that split the Democrats in recent years and sent men like Governor Byrnes of South Carolina into Mr Eisenhower's camp.

★

While the balance in the matter of party unity turns in their favour, the Democrats are also enjoying, or hoping soon to enjoy, benefits from several political issues that have recently arisen. The Republican preference for generation of electricity by private rather than public enterprise seems certain to redound to the Democrats' credit in the West. The "hard money" policy of the Treasury, which has

been under fire from so distinguished a Republican authority on fiscal policy as Mr Marriner Eccles, a former chairman of the Federal Reserve Board, will undoubtedly become the whip with which the Democrats will flay the Administration at the first sign of a business recession. If, by any chance, the wheat farmers should show sufficient signs of believing in the *laissez-faire* arguments of the present Secretary of Agriculture to vote against the controls on the area planted that are required by law as the prerequisite to full price supports for their 1954 crop, it is likely to be the Democrats who will reap the greatest harvest in the long run. The choice must be made this week, and a minority of one-third-plus-one of the farmers voting can block marketing controls and thus price supports. This would leave the majority of farmers—and, human nature being what it is, many of the minority—in a mood to blame the present Administration if their incomes drop sharply next year.

The Democrats are not without problems of their own. There is the truly formidable charm of Mr Eisenhower. The ingenious Democratic tactic of loyally supporting the President against the wild men of his own party seems at best a defensive manoeuvre; millions may have voted for Democratic candidates in spite of Mr Eisenhower, but it is not easy to imagine them doing so *because* of him. And there is no reason to believe that the party's new-found unity could survive the shock of victory in the 1954 congressional elections.

Even now, there is disagreement within the party on the part that Mr Stevenson should play upon his return to

the United States. His defeat last year is not held against him by most Democrats, who feel that no one else could have done nearly as well, let alone better, under the circumstances. His lack of an official position may put him at a disadvantage in relation to such rivals as Senator Lyndon Johnson or the former Secretary of the Air Force, Senator Stuart Symington. But it is not likely that a man of Mr Stevenson's talents will have any real difficulty in catching the public eye and ear, and it may even be an advantage not to have to stand up and be counted in the Senate on all occasions.

Many of the old guard Democratic politicians resent the vigorous efforts of Mr Stephen Mitchell, appointed as Democratic National Chairman by Mr Stevenson, to reform the party, to open up opportunities in it for young people, and to embark upon such novel ventures as the publication of a national magazine, the *Democratic Digest*. If Mr Mitchell should retain his office in spite of this opposition, the chances are that the party will make constructive use of its opportunity to rebuild its forces. If that is done, then the rest will depend upon how long President Eisenhower can manage to share his wealth of popular support with his poor relations in the Republican party.

Policing Private Enterprise

Washington, D.C.

TO the extent that the federal government interferes with the private enterprise system in the United States, it does so very largely through a group of agencies generally known as "the regulatory commissions." It would be difficult to give a definitive list of these agencies, for there are a great many government departments which have direct or indirect powers to regulate economic activities in various ways. But any list would have to include the Securities and Exchange Commission, the Federal Power Commission, the Federal Communications Commission, the Interstate Commerce Commission, the Civil Aeronautics Board, the Food and Drug Administration, and the Federal Trade Commission. Most of these are so-called "independent offices." That is, they are not under the jurisdiction of any of the major departments of the government; each stands alone, as befits a body which has a quasi-judicial role to play. An exception is the Food and Drug Administration, which is a part of the sprawling Department of Health, Education and Welfare.

The functions of these offices are indicated, with varying degrees of accuracy and adequacy, by their titles. Some are concerned with specific industries: the Federal Communications Commission, as its name straightforwardly suggests, polices the wireless, television, telegraphs and telephones. The Interstate Commerce Commission should perhaps be rechristened the Federal Transport Commission, except that air transport is dealt with separately by the Civil Aeronautics Board; the ICC controls the rates and many of the activities of the railway, shipping and road transport companies.

Other regulatory commissions are not concerned with single industries or families of industries, but rather with certain features of economic activity in general. The Securities and Exchange Commission, born of the speculative boom of the late nineteen-twenties and its tragic aftermath, attempts to protect the buyer of securities against such

things as fraudulent, misleading or inadequate descriptions of the properties concerned. Sometimes the functions of one agency are only narrowly separated from those of another. The Federal Trade Commission, among other activities, has the job of preventing the use of false and misleading statements in advertising; the Food and Drug Administration polices advertising, too. But the FTC is on guard against forms of advertising which may constitute unfair methods of competition, while the FDA is concerned with such things as the dangers to health that may result from false claims made for patent medicines. An example of how these functions may overlap, however, is provided by the various moves made by the FTC against cigarette advertisers who make exaggerated claims about the harmlessness of smoking particular brands.

★

The effects of a change of administration in Washington upon the activities of these regulatory commissions cannot quickly be ascertained. The machinery often moves slowly; many of the anti-trust cases initiated by the FTC under the previous regime, for instance, are before the courts and beyond the power of the new team to alter one way or another. The turnover among the commissioners themselves is not large. In most cases, the members of the commission are appointed to serve statutory terms. The political balance of the commission is usually dictated by law; if there are, say, five members, not more than three may be selected from a single party. In most cases, the President has been able to shift the balance of a commission from the Democrats to the Republicans by means of a single appointment, that of the chairman.

This shift is important enough, since the chairman usually has far more power than his fellow commissioners. In the FTC, for instance, he runs the agency administratively, and exercises the greatest single influence over the choice of cases with which the commission will deal. Furthermore, in controversial issues the shift from a bare majority in one direction to a bare majority in the opposite may be quite sufficient. To use the FTC again as an example, the commission recently reversed its attitude towards the Caperhart Bill, which would open the way to restoration of the "basing point" system of pricing in such industries as steel and cement. Interestingly enough, this change from opposition to approval took place despite the fact that there were still three Democrats among the five Federal Trade Commissioners after the appointment of the Republican chairman; one of the three, however, is a conservative Democrat. Bipartisanship, in a land of parties as broad and nebulous as those of the United States, may thus become something of a formality.

There are other ways in which a change in the political complexion of Washington can bring about a change of a commission's policy. Congress attached a rider to the FTC appropriations this year providing that none of the money was to be used to continue an investigation launched by former President Truman to discover why certain retail prices continued high in spite of a decline in wholesale prices. Another, less direct, instance is provided by the abandonment by the Interior Department of the Hells Canyon dam project, which it sponsored under the Democrats. This diminishes markedly the force of the testimony which the Federal Power Commission will hear against turning over the site to the Idaho Power Company, a private

corporation. On the other hand, the FPC can contribute to the slowing down of federal hydro-electric development by issuing licences to private companies permitting them to exploit portions of a river system for which an integrated programme of federal development has been authorised. This happened at Roanoke Rapids, Virginia.

There is no sign that the present Administration has any intention of eliminating any of the regulatory commissions, although it has set up a committee, on which government officials as well as outsiders are serving, to discover, among other things, how the work of the commissions may be speeded up and their operating costs reduced. There is no doubt, however, that there will be a gradual loosening of the reins on private business. It has sometimes been claimed that regulatory bodies tend, over a period of time, to become altogether too sympathetic to the special hardships and desires of the persons or organisations whose affairs they are meant to regulate. Thus, one is likely to find no stauncher friend of the railways than an Interstate Commerce Commissioner. To this tendency, in so far as it actually exists, is added the undeniable fact that the present Administration is more influenced by the wishes and opinions of the business community than any of its predecessors since 1932. The desire to have the business viewpoint represented has led to appointments such as that of Mr Howrey, who came to the chairmanship of the Federal Trade Commission from a legal career marked chiefly by the defence of several large corporations in anti-trust cases initiated by the commission.

The shoe is now firmly on the other foot in Washington. For years, Republicans claimed that, although the flood of

ON YOUR TRIP TO
NEW YORK
YOU CAN FLY TO

Bermuda

AT NO EXTRA COST!

Something extra special lies ahead of you on your flight to New York. Your first-class fare, via any international airline, can include a trip to Bermuda—and at no extra cost.

When business is over, refresh yourself with a delightful week-end in Bermuda. Stay longer, if you wish, for Bermuda is in the sterling area. Bermuda's less than three hours from New York, and there are frequent daily flights.

And there's nothing like Bermuda for sunning on pink sandy beaches . . . for leisurely living far from bustling routine . . . for rest and utter contentment.

For Complete Information See Your Travel Agent or
BERMUDA GOVERNMENT INFORMATION OFFICE
Regent House, 89 Kingsway, London, W. C. 2

If you
do business
in the States...

it pays to do business with Chase

Chase is New York banking headquarters for thousands of banks and business houses throughout the United States. As a result, customers' interests in any part of the country receive the attention of Chase officers who are currently familiar with the needs and developments of business in that particular area.

Through two offices in London this American banking organization is especially geared to serve British trade interests in the States.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

Incorporated with Limited Liability under the Laws of the U.S.A.

LONDON

4 Lombard Street, E.C. 3 • 46 Berkeley Square, W. 1.

New Deal legislation had long since shrunk to a trickle, the New Deal spirit was continuing to influence the activities of the regulatory agencies in ways so insidious that the average voter never realised what was going on. Now the Fair Dealers are not comforted by the fact that the Republicans have passed little reactionary legislation, for they say that "creeping conservatism" is manifesting itself in alterations of this immensely complex system of regulation, alterations too subtle even to be recognised by the public, let alone transformed into political capital, for years to come. If there is truth in both these complaints, it may perhaps be evidence that no system of public regulation can be completely free either of politics or of change.

American Notes

Truce with Rhee

IT may not have taken as long for Mr Dulles, the Secretary of State, to come to terms with the President of South Korea, Mr Syngman Rhee, as it did for the United Nations representatives to negotiate a truce with the Communists, but President Rhee has shown himself just as intransigent as are the Russians and nearly as adept at interpreting agreements to suit himself. The most flagrant example of this was his assertion, in an interview with Mr James Reston of the *New York Times*, that the United States was committed, under the verbal agreement made by Mr Rhee with the State Department's representative before the Korean truce was signed, to resume active warfare if the unification of Korea were not achieved after ninety days of the peace conference which the United Nations Assembly is about to arrange. It was this assertion that forced Mr Dulles to fly to the Far East, to try to establish a basis of mutual trust and understanding and to get some assurance that President Rhee would not sabotage a conference that, in his view, is a pointless waste of good fighting time.

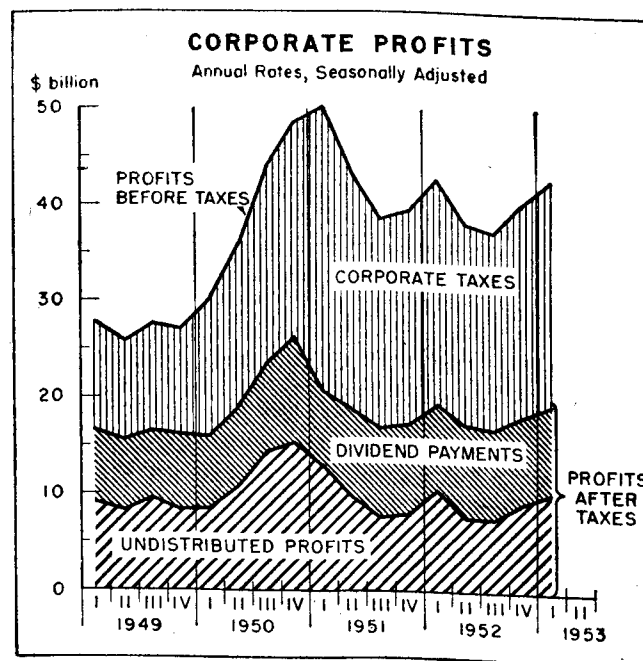
Mr Dulles now has this assurance on paper, in the form of a joint statement that both governments will attempt to achieve the unification of Korea through the political conference for at least ninety days; after that each government will be free to withdraw if the conference seems fruitless, and to consult on what to do next. Furthermore, the statement only pledges the United States to seek the unification of Korea by "peaceful" means—without explaining what is involved in such means. To make these facts of American policy more palatable, Mr Rhee has also been given the mutual defence treaty he has long wanted, under which the United States and Korea agree to come to each other's aid should either be threatened with aggression.

Although attempts are being made to play down this treaty as only another strand in the existing network of Pacific pacts against Communism, it does in fact go further than the others, for it pledges the United States for the first time to intervene directly on the actual Far Eastern mainland. For this reason there may be some argument

before the pact is ratified by the Senate; and the extent of that argument will depend on how circumspect Mr Rhee has been in the meantime. Since the treaty is unlikely to come up for ratification until after the New Year, and since by then the vital ninety days of the peace conference should be over, Mr Rhee will be well advised to interpret the joint statement which he signed last week in the spirit in which Mr Dulles and the United States meant it. Another consideration which should make Mr Rhee more amenable is that Congress has so far provided only \$200 million of the \$1 billion which the United States expects to spend on the rehabilitation of Korea.

Prosperity's Profits

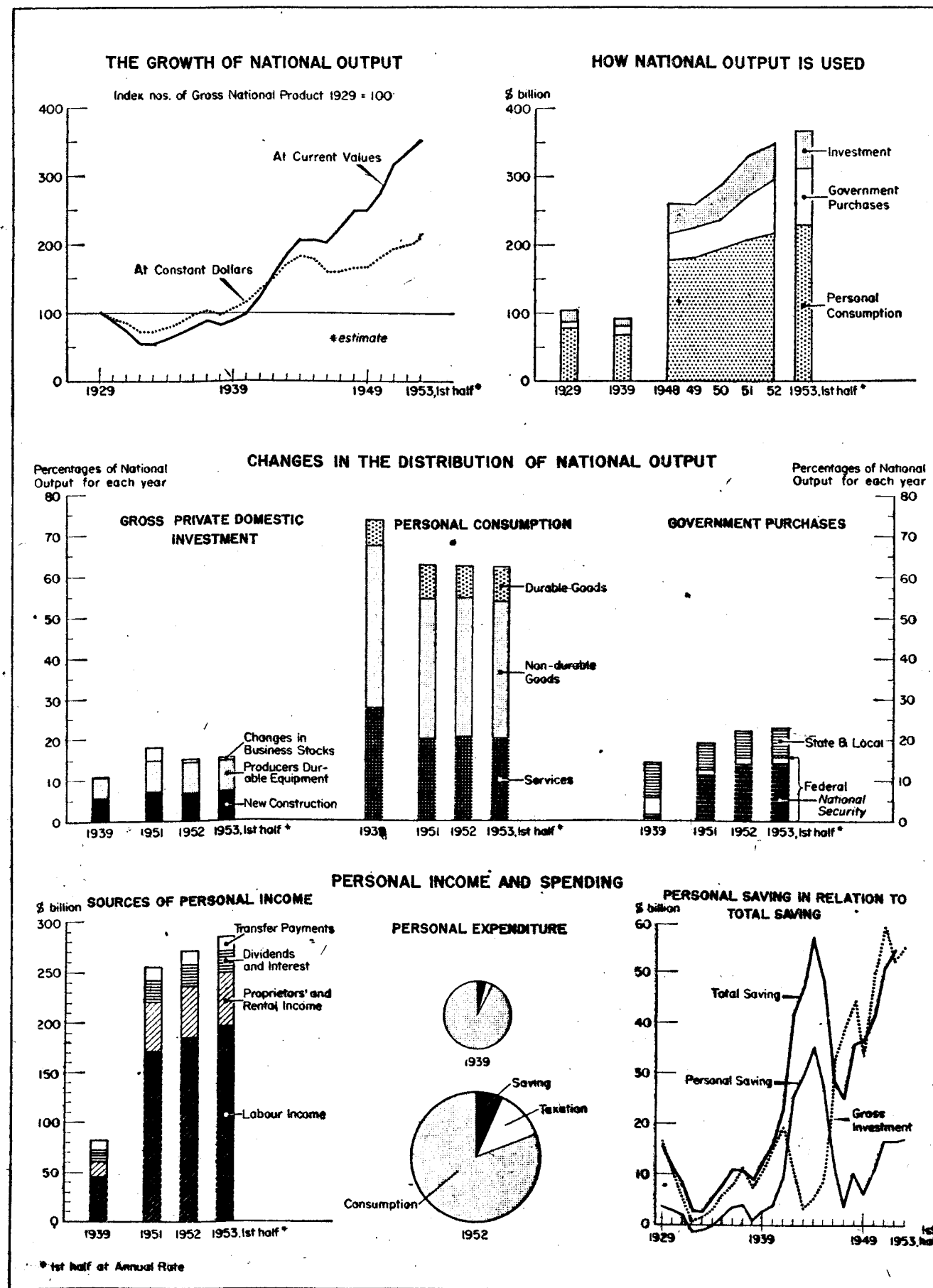
MANY businessmen are now once more postponing the long-expected economic adjustment, this time to the middle of 1954, on the grounds that the Korean truce had been thoroughly discounted and that an economy rolling along in top gear cannot lose its momentum overnight. The gross national product in the second quarter reached a new record annual rate of \$372 billion. If the wolf does finally materialise next year, it seems that the boom will be swallowed up with a bang, not a whimper. Corporate profits in the first quarter were running at an annual rate



of \$19.3 billion after taxes. This is higher than the total for any year since 1950, when an all-time high of \$21.2 billion was possible because the stimulus to profits provided by the Korean war had not yet been offset by higher tax rates.

The final figures for the second quarter are not yet available, but everything suggests that the tide of profits continued to rise. The National City Bank of New York, which tabulates reports from 550 companies, finds that profits in the three months which ended in June were 8 per cent higher than those of the first quarter, and 26 per cent above those reported a year earlier. Among the causes were higher sales, the installation of efficient new plant, capacity

United States National Income



Sources: Survey of Current Business, July, 1953 and Economic Indicators.

or near-capacity production, falls in the prices of raw materials, and the end of controls on prices and output, which restored a free market. It is not only the defence contractors and makers of heavy industrial goods who did well, but also the distillers, the manufacturers of radios and television sets, and the food companies. They benefited from the continued rise in personal incomes.

It is not difficult for comparisons with the relatively lean year of 1952, and particularly with its first, least prosperous, half, to be favourable. Earnings last year were lower than they had been since the recession year of 1949, partly because of the tax burden, but also because of strikes in steel and oil and hard times for certain industries, such as textiles, electrical equipment, and radio and television. Inventory losses cost nearly \$1 billion. The present quarter may look less rosy, both relatively and actually, than the second, but for the year as a whole there is a good chance that profits after taxes may match or exceed those of 1951.

Cotton War

THE unexpectedly high yield—14.6 million bales—just forecast for the coming cotton crop, in this year's first official estimate, means that there will be an intensification of the civil war that has been going on among cotton farmers ever since it became probable that marketing restrictions would be imposed on the 1954 crop. But in

this civil war the Mason-Dixon line runs from north to south across the cotton belt, through eastern Texas, with on one side a million or more small farmers in the traditional cotton-growing states—Georgia, Alabama, Mississippi, etc.—and on the other a few thousand rich agriculturists of western Texas, California and Arizona.

For in the last few years these western farm factories have been giving increasing space to the production of cotton and, with the help of up-to-date and expensive fertilisers and irrigation systems, they have been largely responsible for the heavy rise in yield an acre. The 1953 crop, if it comes up to expectations, added to a carry-over of 5.2 million bales, means that supplies for the coming year will exceed normal demand by about 3.5 million bales and that acreage and marketing controls will be required by law if the government is to continue supporting cotton prices. Under the present system of controls, each farmer will be restricted to a percentage of the average amount planted over the last five years. The western farmers, who have nearly doubled their cotton acreage during that period, argue that they will therefore be forced to cut down their plantings, compared with this year, much more severely than will farmers in the south-east who have, if anything, reduced their cotton acreage recently.

The counter-argument is that it is easier for western farmers to change to other cash crops than it is for the poor and ill-equipped southern farmers; this is a view that carries much weight in Congress, since southern farmers have far more votes than do the westerners. On the other hand the Republican party is likely to earn better dividends in the 1954 congressional elections by cultivating goodwill in the west than in the habitually Democratic south.

Meanwhile Congress adjourned without making any change in the basis on which cotton restrictions are calculated; it did not even find time to raise the minimum permissible cotton area from the present 17.5 million acres as it was asked to do. This year 24.6 million acres were planted and therefore, unless a "meteorological catastrophe" falls on the cotton crop between now and October, total cotton plantings will have to be reduced by about one-third next season. The alternative, on which farmers will vote in December, is for the level of government price supports to fall by about 45 per cent; but it would be unprecedented for cotton farmers to choose this alternative. And since Congress will again be in session before planting time actually arrives, they can still hope for relief from some of the penalties of abundance.

Investigators Go to Church

FOR perhaps the first time in his career Senator McCarthy is not trailing clouds of glory as he returns to Wisconsin from Washington. For the congressional session ended in a series of setbacks for him. In spite of his protests—during which he dubbed Senator Fulbright's student exchanges the "half-bright programme"—the Senate restored almost the full appropriation for the government's overseas information services, which had suffered badly in the House. And Senator Margaret Chase Smith has given practical effect to Senator Monroney's proposal that greater control should be exercised over congressional investigating committees:

she has induced the Senate to prevent Mr McCarthy from issuing reports during the recess on his own initiative, without the approval of the rest of his committee. Following his usual counter-attacking tactics, Mr McCarthy then demanded that the State Department should refuse a passport to an official of the Central Intelligence Agency, Mr William Bundy, who is accused of disloyalty by Mr McCarthy. This the department refused to do.

Such open defiance of Mr McCarthy dates from his attempt to appoint to the staff of his committee a man who had publicly attacked the Protestant church. In the autumn this Mr Matthews is to present his charge, that "the largest single group supporting the Communist apparatus in the United States today is composed of Protestant clergymen," to the House Committee on Un-American Activities. This committee has recently been examining a Methodist minister, Mr Jack McMichael, who is accused of Communism, a charge he has denied heatedly. The chairman of the committee, Mr Velde, insists, however, that he is not, as has been suggested, investigating religion as a whole, but only individuals among the clergy who are suspected of Communist sympathies.

The first individual whom Mr Velde suspected in this way, the respected Bishop Oxnam of the Methodist Church, has at last been allowed to answer the charges against him. In a ten hours hearing the Bishop was able, with ample documentation from his diary and other records, to demonstrate how little foundation there was for the rumours and unsubstantiated allegations that had been built into the published case against him. His aim was not only to prove his own innocence but to expose the improper methods of the committee, which he had long criticised.

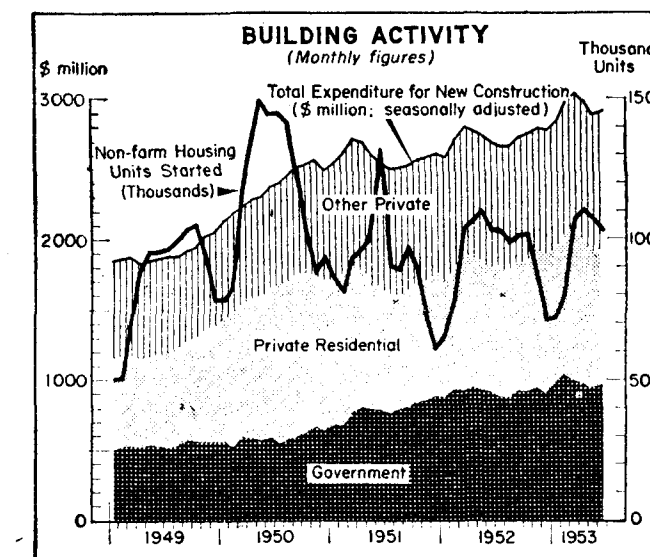
But the hearing also illustrated how, even if these congressional investigators manage to avoid trespassing upon the constitutional freedom of religion and the separation of church and state, they are likely to find themselves involved in church controversies. For the reactions of the audience of Protestant clergymen who had come to hear Bishop Oxnam showed that the attack upon this liberal churchman had not been unwelcome to right-wing Protestants.

Housing on Shaky Foundations?

AT a time when total outlays on new private and public construction are the highest in America's history, the first signs have appeared of a possible slackening of the building boom. The next American recession has been "just round the corner" for so long that the preliminary figure for the number of houses started in June, which showed a fall for the second successive month, was bound to cause anxiety.

No one knows yet whether the decline means that an end is now coming to the period during which housing starts can outstrip the rate at which new families are formed, or whether it is only the outcome of a temporary shortage of mortgage funds. If the latter, then the decision last May to increase the interest on mortgages insured by the Federal Housing Administration from 4½ to 4¾ per cent, and on those guaranteed by the Veterans Administration from 4 to 4½ per cent, may restore the relative popularity as investments which these mortgages lost when the Treasury's anti-inflation measures pushed up interest rates generally. It

may do so, but the effect so far has been disappointing and if, in fact, more fundamental factors are in operation, there will be mounting pressure on Congress and the Administration to take more drastic action. The Administration itself is waiting to see how the housing situation develops and asked Congress to leave well alone until next year, by which time a policy should have been thought out. On the whole this wish was respected, the Republican desire to fight socialism by reducing Federal activity in housing having run up against the Republican desire not to be held responsible for a recession.



An attempt to cripple the Federal National Mortgage Association, which purchases government-guaranteed mortgages when these prove unattractive to the open market, was repulsed and its operating conditions improved. The President was given powers, for which the Administration had not ventured to ask, to make the terms on guaranteed mortgages easier if present trends should in fact turn out to be the forerunner of a depression. On a \$12,000 house, for instance, he can now if need be cut the down payment from 20 to 5 per cent and extend the repayment time from 25 years to 30. Finally the Senate forced the House of Representatives to keep alive the federal government's low-rent housing programme. Only 20,000 houses, a third of those already under contract, will be built, compared with the 135,000 a year contemplated by the 1949 Wagner-Ellender-Taft Act. Congress may need to take the whole of this Act more seriously next year if housing starts continue to decline.

Waterfront Purge

THE time given the International Longshoremen's Association to clean up its own branches on the crime-ridden New York water front expired this week. As Mr Ryan, the association's president, who himself has been indicted for misuse of union funds, had nothing more to show for his period of grace than yet one more expression of good intentions, the executive council of the American Federation of Labour was unable to pretend any longer that he has either the will or the ability to free the docks of gangster control. The council, meeting in Chicago, has

**ONE OF THE
OLDEST NAMES
IN
INTERNATIONAL
BANKING**



CHARTERED 1799

**Bank of the
Manhattan Company**

40 WALL STREET · NEW YORK, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

therefore recommended that the union be suspended from membership in the federation. If the AFL convention, which meets in September, agrees, the next step will be to charter a rival union, or establish local branches which will be responsible directly to the parent organisation.

The longshoremen's officials have dillied and dallied although they are threatened not only with expulsion from the AFL, but also with the drying up of their funds. One of the provisions of the programme of waterfront reform drawn up by New York and New Jersey, which recently received the blessing of Congress, prohibits the longshoremen's local unions from collecting dues after September 1st if any of their officers are men with criminal records. About 30 per cent of the union's officials fall in this category, although conceivably they might resign their titles and still rule. So far only one has been dropped, and the feebleness of Mr Ryan and his lieutenants in dealing with a revolt by the czar of the Brooklyn waterfront—Mr Anthony ("Tough Tony") Anastasia, the brother of the Anastasia of Murder, Inc. fame—has shown that they are unable to act vigorously even in self-defence.

The past reluctance of the AFL to intervene was due, not to indifference, but to the knowledge that a new union will have to wage a bitter and probably sanguinary pier-by-pier fight for control. By December, however, it will have the assistance of the new state code of waterfront legislation. This will require licences for stevedores and port watchmen, will permit the new control commission to bar from dock employment men with police records, and will substitute state employment offices for the "shape-up," the present unsatisfactory hiring system.

SHORTER NOTES

This year's special immigration Bill has gone through, though as a measure to admit 214,000 aliens in three years and five months, instead of 240,000 in two years, as originally proposed. The United States will take 100,000 refugees from countries beyond the Iron Curtain, and will relieve the over-population of three Nato countries to the extent of 60,000 Italians, 17,000 Dutchmen and 17,000 Greeks. Other categories provided for include 2,000 Chinese refugees and 2,000 European refugees from Red China, 2,000 Arab refugees from Palestine, 2,000 Chinese immigrants from Formosa and 3,000 immigrants from any part of Asia. Five thousand people already in America on temporary visas will be allowed to stay, and asylum will be offered to 4,000 orphans from anywhere in the world.

★

Using his veto power on an important Bill for the first time, President Eisenhower has killed the measure which would have relieved cinema theatres of the 20 per cent tax on admissions. The President said that the government could not afford to lose over \$100 million a year in revenue and that it was unfair to single out the cinema industry for special help when others needed it as much or more.

★

The cost of red tape to the US taxpayer was surprisingly low last year; it totalled \$4,700 for close to 9,000 reels, which were used for tying up stored documents.

The World Overseas

Soviet Flirtation With Austria

BY A CORRESPONDENT

MR MALENKOV told the meeting of the Supreme Soviet on August 8th that "No one can deny that a correct solution of the German question would help to solve the Austrian question too." This statement has understandably dashed many hopes in Austria where there was a tendency to believe that a settlement of the smaller problem of Austria might pave the way for a solution of the much greater problem of Germany. Indeed, before Mr Malenkov spoke, many in Austria tended to believe that the Soviet government was at last getting ready to conclude the long-overdue State Treaty. Now the pendulum is again swinging in the opposite direction.

Though the new rulers in Moscow have recently made a number of conciliatory moves—the latest is the abolition this week of the censorship in the Soviet zone—they have certainly not yet shown any real tendency to relinquish their hold over Austria. Actually the signs of a milder application of Soviet supervision began to appear some time before Stalin's death. For example, the issue of permits for goods to cross the inter-zonal demarcation lines began to be carried out with more regard for Austrian susceptibilities while Stalin was still alive, and by the time the system itself was abolished this summer it had ceased to be a real source of friction.

During the past few weeks, and especially since the arrival of the first Soviet civilian High Commissioner, Mr Ilyichev, a number of other steps have been taken to remove Austrian grievances. Mr Ilyichev himself was permitted to mark the resumption of normal diplomatic relations between the two countries by releasing a dozen or so Austrian political offenders from the Soviet-controlled gaols of Lower Austria. A corresponding change has occurred in the attitude of the Soviet representative on the Allied Council through which the four occupants, to the justifiable indignation of all Austrians, exercise a kind of foster-parental control over Austrian legislation and the acts of the supposedly independent Austrian government. At recent meetings of the Council, the Soviet representative has found himself able to join his western colleagues in approving at least some of the laws presented for their joint consideration.

So far, all the changes concern only matters of minor importance. Austria has at last been allowed, for example, to establish airmail services with West Germany and Japan which it has been trying to persuade the Soviet government to allow for the past six years. Again, after eight unsuc-

cessful applications, the Austrian government was told this summer that it may raise loans abroad. But when giving his approval the Soviet representative was careful to take the gilt off the gingerbread by adding that of course each individual loan would still require the Council's approval.

Other welcome straws included acceptance at long last of a law enumerating the various decorations the Austrian government may bestow on its citizens. This seemingly harmless enactment was blocked for years by the Soviet government because it contained no clause to prevent a decoration being awarded to "politically unreliable" persons. Similarly, last June, the Soviet government suddenly agreed that the Austrian government should be allowed to implement its membership of the International Police Commission by equipping the Austrian police with a radio service linked with that of the IPC's criminal police radio network. But at the same time, the Soviet representative flatly refused to approve the Austrian Law of Public Assembly, declaring that it was out of date; this was true as it had originally been enacted in 1867. He also rejected a decree raising the fees for university tuition to all but the poorer students though he accepted a parallel enactment raising the emoluments of university professors. Nor, so far, has he acceded to repeated requests for permission to establish an Austrian civil aviation company. And he still loses no opportunity to describe the Austrian government as undemocratic, determined to re-militarise Austria, and wholeheartedly devoted to Nazism.

The barometer has also by no means mounted to the region of set fair in the ordinary day-to-day intercourse between the Soviet and Austrian authorities although the Soviet government has abolished many of the sources of irritation which have galled the Austrians for the past eight years. Thus, a few weeks ago it agreed to the removal of a number of police officials who had been dismissed three years ago for disobeying orders but who had been maintained in office by the Soviet Commandatura in direct defiance of the Austrian government's decision. But Soviet police officers still try to kidnap Austrian citizens in the streets of the Austrian capital. Sometimes they succeed. On the other side of the ledger, again, a number of the retail stores set up by the Soviet USIA organisation to compete with Austrian private enterprise have been closed in the past few weeks. The Danube is once more open to Austrian shipping not only as far as Vienna but also with certain restrictions as far as Yugoslavia. Of perhaps greater



OVERSEAS BRANCHES: London • Manila • Tokyo • Yokohama • Kobe • Osaka • Bangkok • Guam

REPRESENTATIVES: New York • Mexico City • Milan • Paris • Zurich • Correspondents throughout the world

BANK OF AMERICA (INTERNATIONAL), New York, a wholly owned subsidiary; overseas branch, Duesseldorf

Serving Commerce Around the World

Bank of America offers you credit facilities and direct representation in the world's great trade centers...plus up-to-the-minute information collected and evaluated by our men traveling in all parts of the world. For information, write Bank of America, International Banking Department, 300 Montgomery Street, San Francisco, California... or our branch or representative nearest you.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

SAN FRANCISCO • LOS ANGELES

significance is the fact that the Soviet government has approved the return to the Austrian government of the site of the Ybbs-Persenbeug power station which it seized as one of the so-called "ex-German assets" in 1945.

While such signs of growing co-operation should not be minimised, no Austrian is likely to forget that the USIA installations and the Soviet-controlled oilwells around Zistersdorf enable the Soviet government to take out of their country each year just about as much as the American government has been pouring into it under the various aid programmes. If only for this reason, the recent Soviet gesture of declaring that in future the Soviet government will pay the cost of the Soviet Army of Occupation which was previously a charge on the Austrian budget to the tune of 151 million schillings, is not likely to be regarded as particularly generous. Austrians would much prefer to receive back the "ex-German assets" out of the profits of which this sum will come in future. And they have not ceased to wonder why the "peace-loving" Soviet Union still maintains an army of at least 40,000 in their country, including a tank division, anti-aircraft batteries, bomber and jet fighter aircraft.

Faced with these contradictory aspects of Soviet policy, the Austrian government finds itself in somewhat of a dilemma. In the past it has almost always sided wholeheartedly with the three western occupants and tweaked the Bear's tail whenever it saw an opportunity. But today its ranks are divided between those who distrust the Soviet government and want to go on tweaking and those who, while still distrustful, wish to adopt a conciliatory policy in the hope of extracting a few more plums out of the Soviet government's pocket before its mood changes.

Socialists Urge Caution

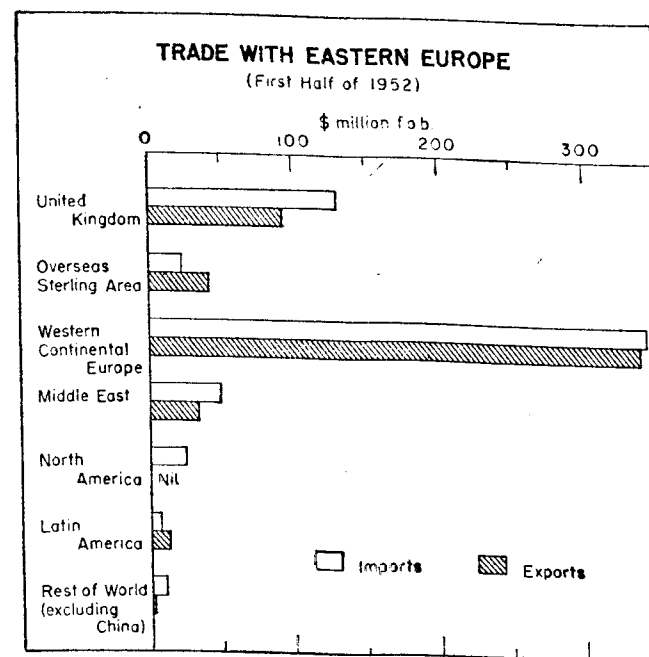
On the whole, the People's Party and the Socialists have been divided in their attitude to the Russians' conciliatory gestures. The Foreign Minister, Dr Gruber, for example, much to the delight of the Communists, recently expressed the view that Austria must steer clear of any military commitments with either the West or the East. The Communist newspaper, *Volksstimme*, has also praised the Premier, Mr Raab, for having shown "glimmerings" of international understanding—except when he has talked about Austrian oil. But both have been severely taken to task by the Socialists on the ground that they are too ready to accept Soviet blandishments at their face value. The Socialists stress that the Soviet policy of concessions is not irrevocable and could be easily and quickly reversed.

At the moment, the Soviet government is certainly profiting from the fact that its concessions to Austrian national *amour propre* have come after—a very long time after—similar concessions by the West. The Austrians, inevitably and naturally, want to use every Soviet concession to extract a fresh counterpart from the West in the hope of playing one side off against the other until both have only one trump left, namely, signature of the peace treaty. At present the Austrians do not seem to have much to lose by following such a policy. They do not believe the Soviet government would dare to throw down the gauntlet to the West by using its tanks in Austria as it did in East Germany. And they are still more confident that the West, with which their whole sympathies are bound up, would never abandon them to the tender mercies of the Russians. Thus they want to find a policy which will neither anger the Russians nor antagonise the three Western occupants.

Trade Between East and West

AN article in the most recent quarterly bulletin of the United Nations Economic Commission for Europe (ECE) discussed the decline in east-west trade during 1952. It is a familiar complaint that the fall is due to western strategic controls; what is often overlooked is that other factors have also been at work, and it is with these hindrances that the current report deals. It should be read by all those who, though they disagree completely with the Communist party's politics, nevertheless subscribe to its analysis of east-west trade. In the view of these optimists the economic ills of Europe can be cured simply by expanding trade with the East, and this trade can be increased simply by abolishing western controls.

The decline in east-west trade during 1952 was marked; in terms of volume, western exports to the eastern bloc fell



by about seven per cent, while the corresponding exports from Eastern Europe dropped by five per cent. With the exception of the Soviet Union and Finland the pattern of declining east-west trade is consistent. Russia throughout increased both its export and import trade with the West thus gaining a relatively larger share of the diminished volume of east-west trade. Compared with prewar, however, the present volume of east-west trade is little more than a quarter of its former size. It is easy to exaggerate the importance of the trade to Western Europe, though to some countries such as Western Germany and Austria, it is obviously of greater significance. Most West European countries, however, had in 1952 less than 5 per cent of their total trade with the eastern bloc. It is mistaken, moreover, to think that the position was much different before the war; Britain, for example, in 1936-38 had little more than ten per cent of its total trade with east European countries, including the Soviet Union.

In public discussion of east-west trade the question of price is often overlooked; but, as the report shows, it has been "a major obstacle to the development of trade." The east European countries have frequently asked prices for

their commodities which were higher than world prices: Polish coal has been as expensive as American coal delivered in Europe, and more expensive than British coal; east European exporters have demanded more for grain than the maximum fixed under the International Wheat Agreement. On the other side, it is alleged that west European countries charge a premium on exports to the eastern bloc. On the whole, however, it would seem that the eastern countries have sinned more than been sinned against on the question of price. That supply difficulties in eastern Europe are also a limiting factor is suggested in the remark "it is not clear . . . that supplies from east European countries would have been forthcoming in greater volume had their prices been lower and west European demand greater."

Myth of "Lost Markets"

Another limiting factor discussed in the report is the question of payments between East and West. The ECE has tried to promote a wider area of multilateral settlement through the sterling transferable accounts system, the European Payments Union, and by arranging that western-held balances are made transferable between iron curtain countries. Much of the east-west trade is, however, based on bilateral clearing agreements, which are often made more flexible by swing credits. During 1952 "deficits built up by east European countries became a serious impediment to the further development of trade." Many west European countries, far from wanting to increase their exports to the eastern bloc, have tried by various means to

GENERAL LEVEL OF EAST-WEST TRADE

	Imports into Western Europe	Exports from Western Europe
	Index numbers of volume (1950=100)	
1938	305	204
1949	111	103
1950	100	100
1951	89	98
1952	85	91

Source: ECE Quarterly Bulletin, Vol. 5, No. 2.

cut down their accumulated surplus with these countries. As long as east European countries are in deficit with western countries, there is little sense in talking about "lost markets in the east," for no west European country would be anxious to pile up rouble balances, or IOUs from "peoples' democracies." The bulletin emphasises that trade would be facilitated if western-owned balances in one eastern country could be used in another.

A point that becomes increasingly clear throughout the article is the need to separate the Soviet Union from the satellite countries when discussing the prospects of east-west trade. Though Russian exports have often been overpriced, it can hardly be said that western trade with Russia has been restricted on account of payment difficulties. Thus only in the case of trade with Russia is it true to say that the western security embargo has been a major factor

limiting trade. On the other hand, it must be realised that Soviet economic policy has forced the east European satellites to twist their whole economies towards Russia; they have thus been denied export markets in the West. In 1938, for example, only one and a half per cent of east European exports went to Russia; by 1950 this percentage was over thirty. Thus Russia's favourable position *vis-à-vis* the West is to some degree built up at the expense of the satellites. As a consequence of this, and also of the plans in progress for rapid development of heavy industry in these countries, their exports have become limited, and concentrated upon a smaller number of mainly food products. For the West these products are only attractive as dollar savers, for their prices are generally uncompetitive; but as the non-dollar sources of production are developed elsewhere in the world they may lose even this advantage.

Besides the factors mentioned there are other hindrances for which the eastern countries are solely responsible, for example, the dangers of dealing with bureaucratic national trading agencies which can cut off trade without warning; the obstacles facing western businessmen who wish to advertise, distribute, and service their products, or to inspect goods bought from the East; and many other similar tribulations. Even if western strategic controls were removed, many hindrances to east-west trade would remain, unless, indeed, the removal of controls by the West is bargained against corresponding relaxations in the East.

Rearming Japan

FROM OUR TOKYO CORRESPONDENT

TO the vast relief of the Americans, the Japanese conservative block has at last agreed to scuttle the MacArthurian Constitution by a deliberate flouting of the vital and embarrassing Article IX, which renounced all war potential for Japan. Last week the Japanese Foreign Minister announced that Japan and the United States had agreed on nine points of a mutual security aid treaty. The situation is heavy with paradox, rich in irony and pregnant with eaten words. Never have hairs been split more finely than when the Liberal Government reluctantly conceded that the new Japanese National Safety Force of 110,000 men was not a purely constabulary body, but still insisted that it was by no manner of means an army. Simultaneously, Mr Shigemitsu, leader of the Progressive party, which, as the strongest Opposition party, is slowly and coyly coalescing with the Liberals, swallowed his brave words of the past and agreed that no amendment to the Constitution was required to begin the open building up of "a military force for self-defence" as a necessary condition for receipt of American MSA aid.

Article IX of the Japanese Constitution, headed "Renunciation of War," says:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation, and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea and air forces, as well as other war potential, will never be maintained. The right of belligerency of the State will not be recognised.

Nothing surely could be more explicit. Every Japanese

political leader who is now gratifying the Americans by contending that these blunt and simple American-dictated words do not mean what they say, in spirit or letter, would have been purged out of hand had he hinted half as much in 1947 or even 1949. The *volte face* exemplifies the abiding truth of the old cynicism that "international treaties lose their force when no longer sustained by the interests of the contracting parties." The only politicians who are defending the Constitution are the left-wing and right-wing Socialists, who do not want a Japanese army or the American security forces, and their bitter enemies the Hatoyama splinter Liberals, who were purged by the Americans during the Occupation, and who want an undisguised Japanese national army instead of the American security forces. The Socialists gained votes at the last elections because they opposed rearmament. The Hatoyama Liberals and the Shigemitsu Progressives lost votes because they wanted open rearmament and an amendment to the Constitution. The Liberals clung precariously to office because they pretended that they were not rearming but were only giving traffic policemen unorthodox training in the use of tanks and mortars.

The Progressives have now decided to profit from their error in insisting on a referendum which, in the present temper of the people, would be doomed. The Liberals have grudgingly recognised that their preposterous camouflage, which deceives no one, must be made more plausible. The Hatoyama diehards, with a persistency which does more credit to their Japanese hearts than to their political heads, alone remain implacable, ironically defending a former American directive on pro-Japanese grounds and flouting pro-Japanese sentiment on currently anti-American grounds. The Socialists seem to be in the soundest position with their demands for closer relations with Red China than with the United States in the devoted cause of "Third Force" neutralism.

An Oriental Fantasia

The confusion of the Yoshida government in this Oriental fantasia has been pathetic to watch. Accused of "secret diplomacy," because the Washington Ambassador has been quite legitimately exploring the American conditions of MSA aid, Ministers insisted that there had been merely "talks" and not "negotiations." The Foreign Minister, Mr Okazaki, contended that the Constitution "banned 'war-potential' but not tools of self-defence," and argued ingenuously that "armament" meant the capacity to wage war "independently." The Defence Minister, Mr Tokutaro Kimura, who had imprudently told reporters that he favoured a ground force of 205,000 men, a navy of 140,000 tons and an air force of 1,500 planes within five years, and then weakly denied that he had said so, explained that "the National Safety Force will merely oppose direct aggression as a democratic expression of self-defence." Under interrogation, the Deputy Prime Minister, Mr Taketora Ogata, claimed in all seriousness that "atomic bombs or jet fighters are really not war potentials unless they are actually used to resolve international disputes."

Then, with his unhappy facility for saying the wrong thing at the right time, Mr John Foster Dulles calmly revealed in Washington that the United States expected that Japan, whose government was vigorously denying any such intention, would increase its embryonic army to 150,000 men by next March. This indiscretion drove Mr

Yoshida—who has sought, with Voltaire, to distinguish between speaking to deceive and being silent to be impene-trable—into strong and angry protestations, which only darkened the atmosphere of mystery and conspiracy enveloping the "talks" or "negotiations."

As the liberal-minded *Asahi* newspaper observed:

It is regrettable that the feeling that a "self-defence" army can be created by Japan is now held by the conserva-tive parties in defiance of Article IX of the Constitution, which Prime Minister Yoshida himself interpreted pre-viously to mean renunciation of war even for self-defence. If one contends that the National Safety Force can be increased to 200,000 or 300,000 without making it a military force, then one can increase its strength indefinitely. And if one says that such a force is not a violation of the Con-stitution, then we do not need a Constitution.

Despite this stormy background of political doubletalk and public apprehension, an acceptable agreement has been reached between Japan and the United States on MSA aid totalling from \$100 million to \$150 million a year. The Japanese have succeeded in limiting any expansion of Japan's defence strength to the bounds set by Japan's "economic stability and development." As Mr Yoshida has said, this means that "the U.S. is thinking not only of military aid for Japan but also of aid aiming at Japan's economic independence." Unswerving determination to secure this implicit guarantee of continuing American economic aid has been the real purpose of the Japanese government's policy of passive resistance to rearmament, in whatever guise and under whatever name, notwithstand-ing the political advantages of hastening the withdrawal of American security forces.

Meanwhile, the Japanese Liberals, now assured of Pro-gressive Party support in their circumvention of Article IX, will probably apply MSA aid to fulfil at the outset a low rearmament target of 175,000 men, 220,000-ton navy and 1,200-plane air force set to a leisurely schedule of five or six years. An improved target and a faster timetable, to meet impatient American promptings, will doubtless be geared to, and dependent upon improved and faster Ameri-can aid. As ex-Colonel Masanobu Tsuji, chief staff planner in the old Imperial army, has declared: "In estimating the strength of the new Japanese army, we must count the arms before the heads. There will be no shortage of the latter."

End of the Dollar Famine?

THE most recent survey of the Economic Commission for Europe (ECE) brings some startling and encourag-ing news about western Europe's dollar problem, or at least that portion of it that relates to trade with the United States. Taken as a whole, the countries of western Europe have all but balanced their payments on current account with the United States. In the first quarter of this year alone their dollar reserves rose by some \$450 million, of which the United Kingdom was responsible for three-quarters. Look-ing backward over the developments from 1951 to 1953, the report shows that in the past year western Europe's annual deficit balance has been reduced to the manageable figure of \$68 million.

Such mass totals naturally obscure the fact that several

countries—Italy, Belgium, and in particular, France—experienced deficits. France, in the first quarter of 1953 alone, ran down its dollar balances in the United States by \$84 million.

WESTERN EUROPE'S BALANCE ON CURRENT ACCOUNT
WITH THE UNITED STATES
(Millions of current dollars)

	April, 1951 to Mar., 1952	April, 1952 to Mar., 1953	Change
United Kingdom.....	— 410	+ 169	+ 579
Other European countries	— 1,841	— 237	+ 1,604
TOTAL EUROPE.....	— 2,251	— 68	+ 2,183

ECE's analysis of how this remarkable improvement came about is instructive. Of the improvement of nearly \$2.2 billion, only \$222 million or roughly one-tenth is due to increased visible exports to the United States. Another \$600 million is the result of a surplus on account of services, and hidden within this total is a sizeable sum which is explained by such items as increased American military expenditure in Europe—troop pay and so on. Increased tourist earnings contributed less than one tenth to the surplus on services.

Over one-half of the improvement, or \$1.4 billion, is due solely to reduced expenditure on imports from the United States. Lower prices account for perhaps ten per cent of this reduction and the rest, as the accompanying table shows, has come about because Europe cut sharply its imports of a few bulk commodities—raw cotton, coal, chemicals, fats and grains.

UNITED STATES EXPORTS TO EUROPE
(Millions of current dollars, f.o.b.)

Commodity	1st qtr., 1951	1st qtr., 1952	1st qtr., 1953	Change 1st qtr., 1952 to 1st qtr., 1953	
				mns. of dollars	Per cent
Grains	209	213	158	— 55	— 26
Coal	38	93	19	— 74	— 80
Raw cotton	127	206	93	— 113	— 55
Animal fats and oils ..	43	58	21	— 37	— 64
Metals	54	87	56	— 31	— 36
Chemicals	43	53	32	— 21	— 40
All other.....	342	370	343	— 27	— 7
TOTAL	856	1,080	722	— 358	— 33

Whether imports can be maintained at this low level neither ECE nor anyone else can say. Lower grain imports may reflect a deferment of purchases in the hope that prices will fall. Where cotton is concerned, ECE suggests that European nations, and specifically Germany, have found other sources of supply—Egypt, Turkey, Pakistan. As for coal, the report notes that in spite of apparent surpluses here and there, western Europe is still working on far too slim a margin of coal supplies. If a general rise in European production should take place, Europe's current coal output would immediately be overtaxed and its industry would once again have to turn to American supplies.

ECE is dubious about the chances for any major expan-

sion of European exports to the American market and con-cludes that "the continuance of Europe's present relatively easy dollar situation depends, therefore, on continued restraint over imports and the course of the 'offshore' procurement programme." So far contracts signed under this programme have reached over \$1 billion.

Bread and Circuses in Bucharest

BY A CORRESPONDENT

FOR a fortnight more than 30,000 young people from 106 countries—amongst them many "youngsters" like D. N. Pritt and the Red Dean—are enjoying the charm of Eastern Europe's "Little Paris," Bucharest, where the Fourth Youth Festival is being held. To cover most of the expenses of their journey and stay in Bucharest, for the last two months an extraordinary "voluntary" tax has been collected from all monthly salaries over 200 lei in Rumania and probably in the other satellite countries as well. These young people have been brought together to see what the Rumanian press unanimously calls "the happy life" of the inhabitants of the model People's Democracy. "Everything possible will be done," declared Vasile Musat, first secretary of the Rumanian Communist youth organisation, "as it has been up to now, to make the memory of their two weeks in Bucharest last for ever in the minds and hearts of the thousands of young foreign people."

To achieve this, Gheorghiu-Dej and his men decided to construct a modern version of Potemkin's village. In less than five months of "permanent day and night work" a magnificent festival park, called "The Cultural-Sport Park '23 August'" has been created. The park, roughly 125 acres in size, has been provided with a stadium of 80,000 seats, an open air theatre with 4,000 seats, an open puppet-show, an artificial lake of over 6 acres, a tower 260 feet high with a metal bridge over 80 feet long for parachuting and other similar marvels. More than 20,000 trees, and over 10,000 species of perennial plants, a hundred artesian foun-tains and 1,000 megaphones were spread over all the park.

Six New Parks

At the same time the Rumanian capital has been blessed with a new opera house and a number of other open air theatres and cinemas. Several sport grounds have been erected in the six new parks and green squares spread over the different districts of Bucharest cover nearly 80 acres. All the old cinemas have been restored, and many bombed houses hitherto neglected have been rebuilt. The façades of 1,200 nationalised blocks of flats and 10,000 private houses have been repainted; 55 streets and boulevards paved and asphalted; tramway lines extended; 600 old tramway cars repainted and 25 new ones put in to use. In addition, there are innumerable triumphal arches, "peace towers" and other decorations.

It is not surprising that the Rumanian newspaper *Munca* complained on July 7th that the management of a factory at Moreni had not fulfilled its obligation, contained in the factory's contract, to provide facilities for the construction of 12 private houses. "For this there exist the necessary funds and land. But so far no construction has been started. The management pleads that it cannot get the construction

materials. It has asked for help from the ministry (of the oil industry) but the help has still not arrived, although the ministry registered this contract at the beginning of the year. . . .

Regular workers were commandeered from all over the country to help in the transformation of Bucharest. In addition, the local Communist organisations "mobilised" boys and girls—often between 14 and 16 years old—and sent them to the capital for "voluntary" work; and other young people spent their few days annual paid holiday in Bucharest working 8 hours a day at heavy manual work. "More than 700,000 people have given over 700,000 hours of voluntary work" boasted *Munca* in its leading article on August 2nd. According to a report in *Romana Libera* on April 23rd, young people working and living on the site of the big festival park were "organised as in the army" in "brigades," and they had to obey, without discussion, their "commandants." Twenty-two of these young people unloaded in three hours 16 wagons of cement and iron, "exceeding" their norm by 420 per cent. But another brigade beat this record, unloading 24 wagons in two hours (i.e., every member of the brigade unloaded more than 80 pounds a second). This report went on to describe life in a dormitory, where the "brigadiers" whispered in astonishment: "Why do Axinte and Dumitrascu (sons of peasants from near Pascani) want to leave?" There was even a strike. "One day Axinte, Dumitrascu and Matei did not come out with their brigade." But the commandant "discussed" the matter with them, and they not only went back to work, but Axinte became one of the most "zealous" at the unloading of trucks.

A New Cooling Drink

There remained only the problem of food supplies. The official statistical report for the second quarter of the year admitted that "the supply of some basic foodstuffs to urban populations has not been satisfactory" and that the planned distribution of meat, fats and sugar had not been carried out. It would not do for Bucharest's visitors to see empty shop windows and a starving population. So on July 5th the State reserves were opened and the shop-windows filled. Additional rations were given to the inhabitants of Bucharest and shortly afterwards to the rest of the country. In a couple of days food prices were slashed to a quarter and even less. A free hand was given to the bakers and the famous Rumanian pastries have reappeared in all their old variety. In addition, according to *Romana Libera* of July 24th, Rumanian light industry has begun to turn out many new products, "which have never so far been produced in Rumania" (it would have been more accurate to say under the present regime) in order "to show every visitor from abroad how Rumanians build for themselves a happy future." One of these new products was "a new material for trousers, the flannel."

The foresight of the government went so far as to remember the terrible August heat in Bucharest. Special attention was given to the provision of "cooling drinks" for this "oven month." The invention of a "new cooling drink far superior to lemonade" was announced. To crown all this, Gheorghiu-Dej's government added two touches of hospitality of its own—flowers in every visitor's bedroom, which have been forced in ten huge hothouses by Michurin methods, and a present for everyone provided out of "voluntary" donations collected from all over the country.

The circus will end on Sunday. There is no doubt that the average Rumanian has enjoyed as much as his guests the good food and the 100-120 daily programmes from the French *chansons* and pantomimes to the Mongolian circus, from sports demonstrations to concerts and film shows. All the same his feelings must have been mixed. They can probably be summed up in the following extract from a young Rumanian's letter to a friend abroad:

We are very pleased to have the festival here as we shall have plenty to eat and drink, at least for a while. Nevertheless, we cannot but hate and mistrust our visitors since the majority of them are Communists and fellow-travellers. As to the few "stooges" among them, we are only sorry that we cannot identify them and help them to see the truth.

Under All Flags

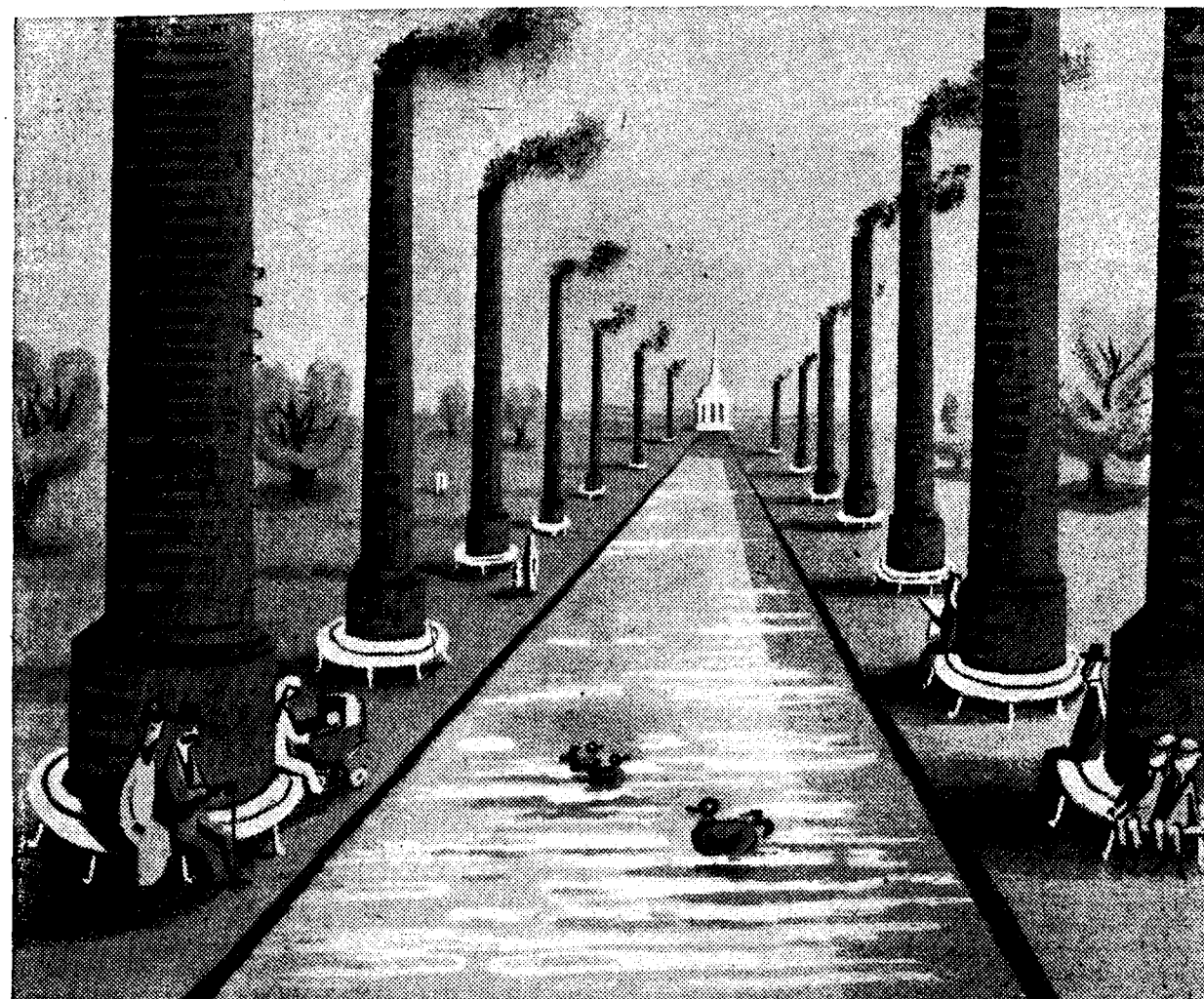
THOSE who know the new Secretary-General of the United Nations have awaited his first annual report with some interest, and they will not be disappointed. Mr Hammarskjöld has some quietly pithy things to say. He describes the Korean armistice not only as an unqualified victory for the principle of collective security, but also as a step towards the creation of a united and democratic Korea "by the peaceful means that are alone permitted by the charter." He looks forward to efforts to relax tensions elsewhere, but adds

I hope that the peoples will understand that such processes are usually slow, and that it may be necessary to bear with fortitude and patience a succession of painful disappointments, extending sometimes over a period of years, before acceptable compromises are reached. . . .

Mr Hammarskjöld believes that we have only begun to explore "the most fruitful combinations of public discussion on the one hand and private negotiation and mediation on the other." The international forum "should serve the members less for the voicing of complaints." Plunging boldly into controversy, the Secretary-General argues that to subordinate economic and social work to collective security is "correct, but only in a short-term perspective"; that collective security ultimately depends on the reduction of underlying pressures; but that the "economic and social approaches" in no way lessen Uno's importance as an instrument for preventing aggression. He also draws special attention to the fact that

the concept of a truly international civil service and of the independent authority in this respect of the Secretary-General and the Directors-General is not yet fully understood and accepted. There are, here, mutual obligations. . . . Members of the secretariats must abstain . . . from any activity which might throw doubts on their status as trusted and dedicated servants of the UN. . . . On the other hand, on this basis the international civil service should be left free from national pressures of any sort.

In the past, unfortunately, these mutual obligations have been violated on both sides; and it is probably too much to expect that the mere advent of a new Secretary-General, however talented, will ensure absolute respect for them henceforward. But it is something to have the case stated firmly and precisely by a head of the international civil service who is, as his first report shows, not only a man of principle but also a realist with a shrewd eye to what is practicable.



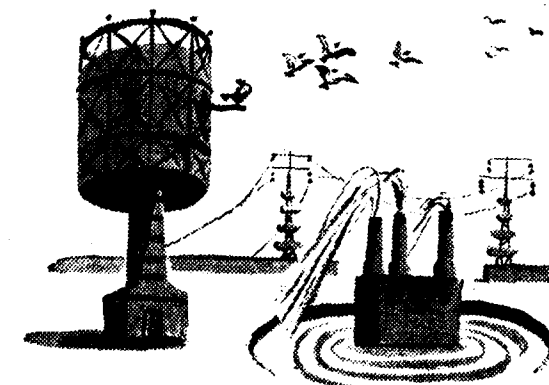
Schweppshire Shows the Way

6. GASWORKS REVIVAL

Once more, by a precise interpretation of the present, we anticipate the future. Nuclear heating has introduced a new fashion. In our cities, run without coal, gas or electricity, the atomic age has reduced power plants to the size of cigarette lighters. Our streets are deserts of cleanliness and glare. But Schweppshire provides its own antidote with the Return to Smoke. Factory styles are in fashion. Keynoting is the dove-cote shaped like a gasometer, the yew hedge clipped to a pylon shape. Lord Schwepstow's magnificent summer-house is constructed in "Waterloo Station Grid." In the public park the rock plants are prettily disposed on the mock slag heap. Between borders of "Goodszyard" docks and "Bonsite" thistles, our damsels of fashion display their new grease-patterned overalls, with the new "Coledust" make-up to match. In this glimpse of a Fogschwepster Park, observe the pleasant perschweptive of

smokestacks, with real smoke* from actual fires to veil the remorseless Fogschwepster sunlight from our eyes.

* The practice of representing smoke with plumes of gauze strikes a false note, as is rightly pointed out, in his essay, *Pseudo Gasworks*, by John Schwetjenan.



Designed by Lewitt-Him, written by Stephen Potter

SCHWEPPERESCE LASTS THE WHOLE DRINK THROUGH

WE'RE INVITING INVESTMENTS

and this is why!

More houses are going up. More purchasers are asking building societies for advances to pay for them.

In the first six months of 1953 this Society agreed to lend £3,804,000 for the purchase of 2,582 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.

City Office:
163, MOORGATE, E.C.2.

ASSETS £75,000,000
75 BRANCHES

THE ORGANISATION OF HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £2,000,000)

is associated with

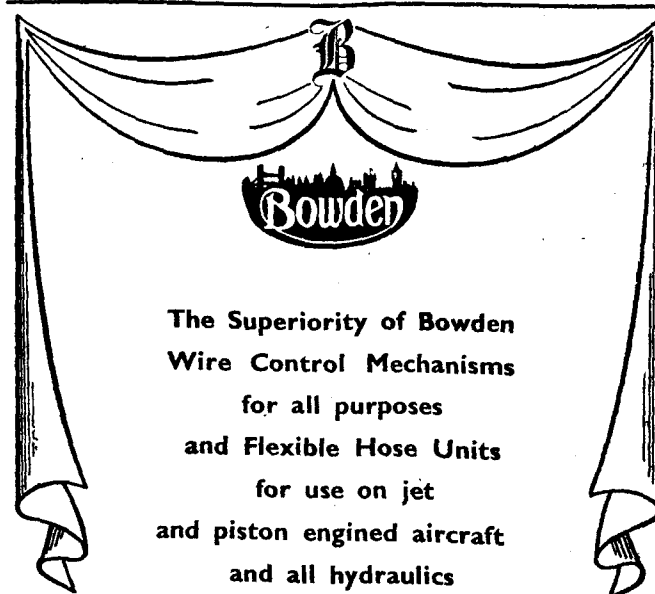
*The British Metal Corporation (Pakistan) Ltd.,
Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya),
and C. Tennant Sons & Co., of New York, as well as with
the associates of The British Metal Corporation Ltd., London,
Australia, Canada, India, South Africa and Central Africa.*

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products

throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE,
LONDON, E.C.3

TELEGRAMS Nonfermet Telex London CABLES Nonfermet London TELEPHONE MANsion House 4521 (10 lines)
Branches at BIRMINGHAM, MANCHESTER and GLASGOW



is acknowledged the World over

Insist on Genuine Bowden Products

Bowdenex Bowdenite
Bowdenflex

BOWDEN (Engineers) LIMITED, LONDON, N.W.10

THE BUSINESS WORLD

Operational Research

IN recent years a new technique—which originated, of all places, in the study of the working of radar equipment under field conditions just before the second world war—has become of some importance in British industry. This technique is called “operational research”; and under it teams that may include engineers, mathematicians, statisticians, economists and sociologists combine together in (to quote one of the more sober definitions of the art) “the use of the scientific method to provide executives with a quantitative basis for decisions regarding the operations under their control.” Sir Robert Watson Watt, who coined the term during the war, then defined the technique negatively:

Operational research is not doing arithmetic for air staff . . . not merely Probabilities for Politicians, or statistics for soldiers, sailors, strategists, and statesmen. It contains something of all these things, just as it contains elements of market research, consumer research, and the less naive and offensive elements of time and motion study.

Inevitably, this technique, like other “new fangled” ideas, has been greeted with some suspicion by business executives; but its use in British industry is growing, and, as might be expected, it has also been taken up with some enthusiasm in America. The largest single experiment in its application in Britain has recently taken place in an examination of the problems involved in transporting iron ore, and this experiment deserves attention as a case study.

The problems put before the “operational researchers” in this field can be briefly described. About 10½ million tons of iron ore are due to be imported into Britain this year; last month, at the peak of the ore shipping season, more than a million tons came into the country's ports. This is nearly twice the annual rate of imports in 1938, but by 1957 the British steel industry will probably need half as much again.

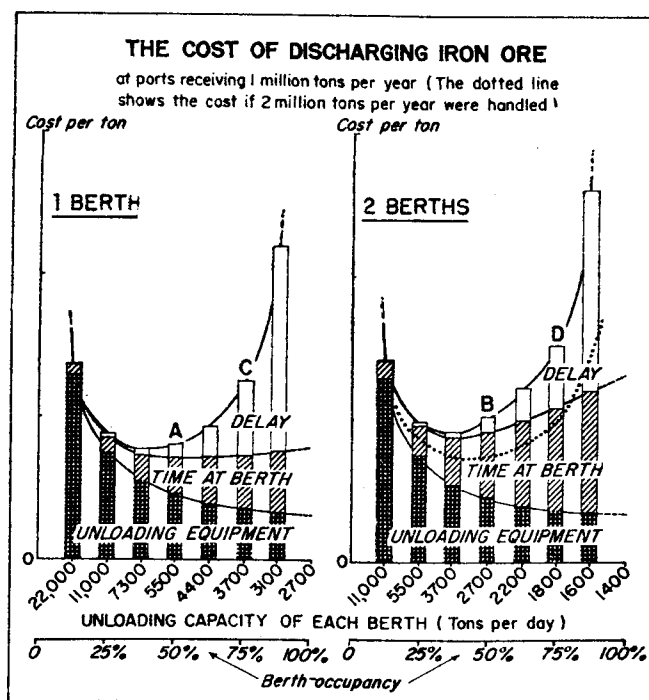
It is not surprising, therefore, that the industry is having to expand and reorganise the plant used to move the ore from overseas, to land it here, and to deliver it to the blast furnaces—plant that includes ore ships, port handling facilities, and railway ore wagons. In planning this re-equipment the industry has a problem of formidable complexity. It has had to take into consideration the worn state of much of the equipment that now exists; the widely different handling characteristics of ore from different sources; and the prospective changes in design of ore ships—with their effects, untried as yet, upon unloading rates. These rates of unloading, moreover, have to be assessed in terms not only of the operation of the handling plant, but in terms of the time the ships have to spend in port—ships' time being a costly commodity. The ore ships arrive fairly steadily during the year, but their arrivals are not regularly spaced; “bunching” and long intervals both occur.

The industry had therefore to decide at some point between the extremes of installing just enough handling plant for the yearly tonnage (at the cost of excessive delay to the ore ships) and of installing enough plant to deal with all ships as they arrived (at the cost of excessive idle plant). This decision, moreover, would affect and be affected by the sizes determined for the new ore-carrying ships, and the standards likely to be recommended for ore wagons on British railways. All these questions were aspects of a major economic decision—how to import the amounts of ore required with the maximum reliability at the lowest possible cost.

The industry considered this problem too important and complex to rest upon the intuitive judgment of any single man or group of men, however experienced. So, before approaching the decision, it appointed an “operational research team” of men trained in various

scientific skills to study the problem. The team naturally included engineers. It also had statisticians to analyse past unloading results and determine the importance of the variable factors affecting them; mathematicians developed a theory for predicting the effect on ships' waiting time of varying rates of discharge and the installed capacity at the port; sociologists were included to study the effect of various working systems on the port labour force; and economists had to evaluate the whole problem in terms of cost.

The effect of this combined study upon one aspect of the problem is illustrated in the chart, which shows the varying elements of costs in handling a million tons of ore a year at a port with either one or two berths. The top curves show how the total cost varies



according to the unloading capacity of the equipment installed at each berth (expressed in terms of the average tonnage that can be unloaded in a day). Corresponding to the unloading capacity is shown a scale of "berth occupancy"—the proportion of time that the berth will actually be occupied by a ship unloading, if a million tons are to be discharged in a year. The total cost shown is subdivided into three components—the cost of operating the unloading equipment, the cost of the ships' time at the berth, and the cost of delays to ships waiting for a berth. The cost of the unloading equipment per ton falls as the "berth occupancy" rises, but the other two elements rise; and in particular the cost of delay to ships becomes very great when berths are occupied for a high proportion of the time available. It will be seen from the chart that the lowest total costs for ports with this throughput are achieved at the points "A" and "B" (slightly displaced from the actual minima by outside factors), where the single or double berths concerned are idle for about half the time. It is uneconomic to operate at points "C" or "D," which are typical

costs incurred when the industry follows the apparently "natural" policy of trying to keep the berths busy.

These are not answers that many business executives would have arrived at if they had relied on pure "hunches" or on their accumulated experience of business conditions. They may, of course, be the wrong answers—and the same may be true of the answers formulated for other problems by this and other operational research teams. But the proponents of operational research do seem to have a case for arguing that only a deliberately scientific method could ensure any coherent answers at all to assist decisions from data so variously gathered.

★

This application of operational research to the problem of ore transportation is the most ambitious experiment in the technique so far made in British industry. But it has also been growing in other industries, often simply as a means of evaluating operating efficiency. In an increasing field of national activity the working of normal economic forces is to a greater or less degree ineffective, and the accountants' yardstick of profit or loss may be inadequate. This is true both in nationalised and private industry and in some aspects of social policy. In coal, for example, given current pricing policies, profit or loss has little meaning in measuring the efficiency of each pit; operational research is being used to study underground costs to provide comparisons between pits with widely different conditions. Other applications of operational research outside the directly managerial field include the study of accidents on British roads (as well as within particular industries and local environments); and its use has been suggested to assist social policy in studying, for example, population problems, the effect of subsidies, and the operations of the health service. One application outside the field of profit or loss that could be of very direct importance would be the study of the effectiveness of different structures of management within industrial organisations of varying sizes; it could do no better service, for example, than in providing some quantitative data in the still largely verbal controversy about the organisation of the nationalised industries.

But, in general, operational research makes its contribution to industry primarily in evaluating the operation or organisation of a plant or part of a plant to determine its most profitable employment. And its use in industry, mainly on such work, is growing. In Britain, the first concerns to use it were mainly large ones, such as United Steel, Pilkingtons, I.C.I., English Electric, and Courtaulds, along with the official research establishments and the co-operative research associations; but now some smaller firms are finding it increasingly useful. Sir Charles Goodeve, who recently surveyed operational research in Britain,* estimates that there are about 40 sections in Britain, ranging in size from one qualified man and an assistant to about a hundred, now

* See the current issue of *Operational Research Quarterly*.

doing work that could mainly be classified as operational research, though fewer than half of them use the particular label. In addition to these examples, at least 40 more companies carry out some operational research at some time or other. During the war the United States forces followed the British lead in applying the technique (they call it "operations research"), and now it is catching on in American industry, though with somewhat more of an academic flavour than it has here. American universities and institutes of technology have taken it up; characteristically, one well-known technical correspondence college in New York is already offering a course in the subject.

The main use of operational research in peacetime is clearly going to be to assist managements in making technical decisions that have strong economic overtones. Exponents of operational research do not exaggerate it into a substitute for executive decision. On the other hand, to the extent that operational research can set quantitative values on the limiting factors that affect any business decision, it will generally reduce the area in which judgment, flair, or hunch needs to be applied; and it is not surprising that on occasion it has aroused some suspicion among the men finally

responsible for taking those decisions. Some of these may feel uneasiness that they cannot assess such variables themselves in the same way; or they may feel that they ought to be able to get such aid (though they seldom do) from cost accountants furnished with the best technical advice. Some managers, too, are well aware that in recent months there has been more and more argument—from scientists—that more scientists are needed in top management; and they feel that this sort of propaganda needs to be resisted.

These disquiets should not obscure the fact that the task of the business executive is still to make decisions on the best evidence he can assemble. His judgment has to be based on his own experience and the reported experience of others—and experience cannot always be translated into a string of figures or a wallful of charts. But as modern industrial problems grow bigger and more complex, the executive has to make fast and accurate decisions, in which operational research may be able to help him. This is no wand to make managements unnecessary, but it is a new tool that, sensibly and sparingly used, may assist management's main job of economic decision—the most profitable employment of scarce resources.

Role of the Investment Trusts

MR BUTLER'S recent letter to the Capital Issues Committee, informing it that "in appropriate cases" it can authorise share issues of over £50,000 by investment and unit trusts, has brought an overdue relaxation of an entirely senseless ban. Indeed, there was an unconscious irony in the wording of the Chancellor's letter, which declared that his decision had been taken "having in mind the part played by the investment trusts in the supply of risk-bearing capital for industry and the need to encourage savings at the present time"—for it suggests that for eight years successive British Governments have been insouciantly leaving out of mind one of the gravest economic problems of our time. The object of this article, however, is not to dwell upon the strange philosophy of the recent past, but to undertake a statistical investigation of the part that the investment trusts play in the provision of risk capital at the present time—and of the prospects for an increase in their role in the future now that this ban has been removed.

The first stage of this investigation has been to assess the portfolios of the 234 investment trusts whose shares are quoted daily in the Official List of the London Stock Exchange. In addition to these 234 major trusts, there are, of course, a considerable number of (usually smaller) trusts whose shares are not quoted daily in Throgmorton Street, but make fitful appearances in the Monthly Supplementary List

and in the lists of the Provincial Stock Exchanges. The 234 trusts analysed in this article controlled at their latest accounting dates a portfolio with an aggregate book value of £468 million (or only about £25 million higher than the corresponding aggregate before the war) and a market value of £580 million.

Their investment holdings therefore still seem to be less than a quarter of those of the insurance companies, which at the end of 1951 held £1,167 million of gilt-edged stocks, £960 million of industrial shares and debentures, and £331 million of foreign government and municipal securities. Moreover, since about 45 per cent of the trusts' £580 million of investments is held in overseas securities (many of which are not quoted in London), they cannot hold much more than about 2 or 3 per cent of the total risk securities dealt in on Throgmorton Street; the market value of all stock exchange securities (other than British Government and Guaranteed stocks, of which the trusts hold only an infinitesimal amount) was nearly £12,500 million at the end of last March.

The influence of the trusts' activities on stock exchange values, however, is bigger than these bare comparisons suggest, for they are very active dealers—especially in ordinary shares. The balance sheets of these 234 trusts show that, after fairly heavy switching operations in recent years, most trusts now hold 75-85 per cent of their investments (at market value)

in British and foreign equities, compared with between 10 and 15 per cent in preference stocks and between 5 and 10 per cent in debentures. Indeed, although a small number of trusts hold as little as half their portfolios in equities, a few of them, mostly Scottish trusts, have been so keen to use equity investment as a hedge against inflation that they now hold as much as 95 per cent of their investments in ordinary shares. Similar influences have been at work in encouraging the trusts to add to their portfolios of dollar stocks (which were reduced practically to nothing during the war); in general, between 20 and 30 per cent of the trusts' investments are in North American securities (with a few of the Scottish trusts holding as much as 35 per cent of their investments in this way). Another 10 to 20 per cent is held in overseas sterling area stocks, and around 5 per cent in other overseas countries; investments in this last group—that is, in countries outside the sterling and dollar areas—are, however, notably less popular than before the war, when several trusts had their fingers badly burnt on mid-European issues. This geographical distribution leaves between 50 and 60 per cent of the trusts' total holdings—or, say, about £325 million in terms of current market values—invested in British industrial shares.

★

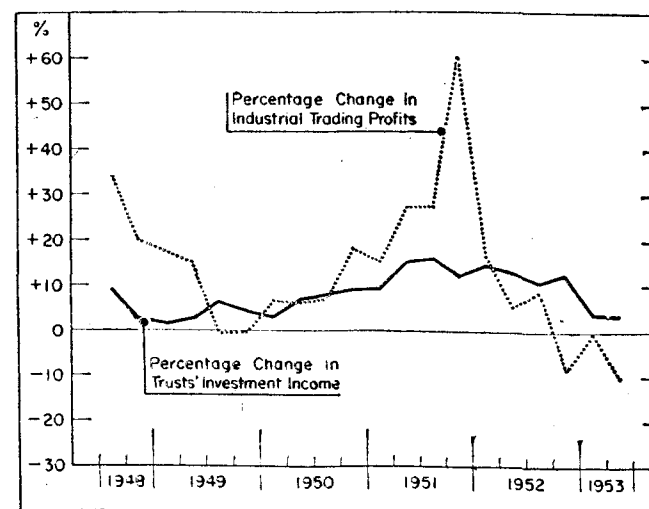
So much, then, for the resources that the trusts deploy and the ways in which they use them. What are the prospects that they will be able to attract more funds by new issues on the stock exchange, now that the Capital Issues Committee is to allow them to do so if they wish? Theoretically, of course, a movement such as this should be peculiarly well suited to the conditions of the present time—when a larger and larger proportion of the total (admittedly, the inadequate total) stock of personal savings is accumulating in the hands of people whose own portfolios are too small to secure an adequate spreading of risks. Unfortunately, however, it is precisely in this task of mobilising the small man's savings for risk investment that the trusts' achievements have so far been most disappointing. To understand the reasons for this, it is necessary now to turn the statistical searchlight upon the market in the trusts' own shares.

Between them, the 234 trusts analysed in this article now have in issue some £395 million nominal of share and loan capital; this capital is divided into about £152 million of debenture stocks (including a small number of terminable debentures issued by Scottish trusts), about £114 million of preference shares and £129 million of ordinary shares. The market value of this capital on March 31st last was around £481 million; actually this figure (from the latest annual statistics published by the stock exchange) related to a nominal capital £7 million less than that traced here, but the difference seems too small to worry about. The market value of this investment trust capital at the end of last March was almost exactly one-tenth

of the market value of shares in the giant "commercial and industrial" group in the stock exchange's classification; but the number of markings reported in investment trust shares debentures in the year to March was only one-twentieth as large as the markings in the commercial and industrial sector.

Figures for markings are, of course, notoriously unreliable guides to the actual activity of the markets, and it would be wrong to take more than passing note of this statistic. But it is unfortunately true that comparatively little investment trust stock comes on to the market for sale; and when part of it does come on offer it is quickly snatched up by pension fund investors and insurance companies, whose operations are gradually making the market in trust stocks even more restricted. The private unskilled investor fights shy of stocks that often change hands only in large units and that are sometimes delivered to him only after a lengthy delay. Nor is he well qualified to use the two indispensable tools to test the market valuation of trust stocks, the Directory of Directors and the slide rule.

INDUSTRIAL TRADING PROFITS AND THE TRUSTS' INVESTMENT INCOME



He must rely on his brokers' opinions about the management of the trusts (which cluster together in nests that are so inter-related that the trust movement resembles a rookery) and on his brokers' calculations about break-up values, earnings, dividends, capital gearings and priority percentages. In short, investment trust shares, far from being regarded as a haven for the small private investor who has not time for detailed study of market trends, are often themselves regarded as unconscionably complicated and "expert" stocks in which to deal.

This complication would not matter so much if the trusts' shares seemed to offer much greater stability of income and capital values for the small investor than the ordinary run of industrial shares. It is, of course, true that the trusts' own income fluctuates less violently than that of most industrial concerns; dividends change less frequently than profits even when there is no freeze in progress, and the trusts' holdings are widely dis-

persed. The remarkably even tenor of the trusts' incomes in the last five years is illustrated in Chart I, where the movements in industrial trading profits (which have been distorted by rises and falls in raw material prices) are plotted against the changes in the investment income of the trusts. In making this comparison it must be remembered that there is a time lag between the declaration of dividends by the trading companies and the corresponding declaration of dividends by the trusts who hold their shares. This lag, of which there are some signs in the accompanying chart, can be as much as twelve to fifteen months, but usually there seems to be a gap of about nine months before a sudden spurt in company dividends (or, alternatively, a sharp recession in them) is reflected in the results published by the investment trusts.

Unfortunately, this relative stability of income does not carry with it any similar stability of capital values in investment trust shares; nor does the existence of the time lag mean that, when trading profits are falling, investors are granted sufficient time to liquidate their trust holdings before the storm bursts. Chart II shows that in recent years equities in investment trusts have fluctuated in remarkably even step with—and rather more violently than—the average industrial equity; and that in the minor trading recession of 1949 investment trust equities at once dropped down through the floor. This alarming oscillation arises largely because the trusts are overloaded with prior charge capital, which must be serviced before equity stockholders can receive a dividend. The same factor, incidentally, makes it impossible for the trusts to go as liquid as a private portfolio can in times of falling values; income has to be earned to service the debenture stock.

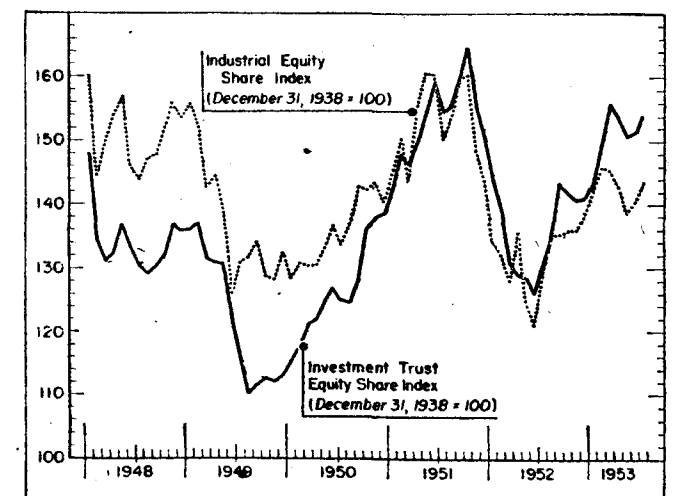
There is thus some statistical justification for the complaint that the ordinary shares of investment trusts, which were originally supposed to offer the small investor the advantages of expert selection of investments and a wide spreading of risks, now themselves require rather more expert selection and carry rather greater risks of capital fluctuation than the average industrial equity—although their average yield has been slightly lower than that of industrial equities all through the postwar years of boom. This is not to say that any new issues by the trusts in the months ahead need be entirely friendless. Those who fear the outbreak of a world slump may remember that such a slump would almost certainly be accompanied by a depreciation of sterling; and the trusts' large holdings of dollar stocks provide a partial hedge against that—except to the extent that dollar dividends were cut. Those who believe that boom conditions will continue may remember that the trusts have been harder hit than most by dividend limitation; limitation is not yet officially dead, but it is being unofficially buried—and this holds out the promise of some increases in income for the trusts in the months ahead. There is also

the point that the market value of the trusts' own shares is still some £112 million (or 19 per cent) lower than the market value of the shares they hold. All these factors may encourage some new issues, but many of the trusts still have fearful memories of the late 1920s; at that time, under a regime of high interest rates and booming business, the trusts made many flotations—and tucked away the resulting funds on the stock markets just in time to catch the slump of the 1930s. The relaxation of the CIC's ban may be treated with some caution by those trusts that are not confident that the "feel" of 1953 is so very different from the "feel" of 1929.

All these complications suggest that the new latitude allowed by the CIC may be a very small drop in the very big bucket of the risk capital problem. As has been suggested in *The Economist* before, the time has come when the City and the CIC together should consider whether a much more active boost cannot be granted to issues by "mutual fund" trusts. These flexible trusts, which fall half-way between the investment trusts with all their discouraging complications and the original and not particularly successful fixed

EQUITY SHARE INDICES

Source: The Actuaries' Investment Index



unit trusts, would seem to provide the safest route into venture capital for the savings of the unskilled investor. In these trusts the risks of investment are spread; the composition of portfolios can be altered; there is no "gearing" problem, because the investor is in effect himself the owner of the underlying securities, and the price of the units cannot fluctuate more violently than the market value of the portfolio; and, after paying a reasonable fee for the skilled management of the trusts' portfolios, the unit-holders receive, in effect, the whole of the trusts' investment income. If mutual fund trusts could repeat in this country the success they have achieved in the United States, then a much sturdier step towards the goal of investing small savings in British industry would have been taken than the ordinary investment trusts ever seem likely to take on their own.

Business Notes

Heat-Wave Markets

THE stock markets in this holiday month have set the pundits a puzzle that is more than their heat-wave lassitude can cope with. For in the markets themselves there has been no such lassitude, and price movements have defied both the day-by-day disquiets from France and the implications of the Korean truce. Many people had long expected that, in the event, the effects of peace in Korea would prove to have been not fully discounted in the markets, and that the cessation of hostilities would therefore be followed by a renewed sagging of equities and probably by a more pronounced strengthening of gilt-edged. But, in fact, industrials in London have staged a rise that, by the standards of these holiday weeks, almost deserves to rank as a boomlet. By the close of business on Wednesday last, the ordinary share index of *The Financial Times* had risen to 122.6, compared with 120.3 on July 24. Since the year's low point was reached less than three months ago, it has risen by nearly nine points, and now stands at a higher level than at any time in 1952 (though a couple of points below the peak touched this spring). The recent rise has, moreover, been accompanied by some increase in the number of bargains marked.

Quite obviously, the markets are paying little heed to the uncertainties of international economics—perhaps because the international political uncertainties seem, despite the truce, to be almost as great as ever. The prospect of some slackening in world defence expenditures, and of other outlays that are geared to them, may therefore appear more remote than some people recently supposed it might be. In the circumstances, the only discernible new influences that may perhaps explain the renewed firmness of equities are mainly domestic ones—the unexpectedly satisfactory increase in the gold reserves in July, the rise in production and (in the longer run perhaps the most significant factor of all) the accumulating evidence that dividend restraint, protracted though its demise has been, will soon be very dead. These ingredients do not, however, make a prescription for sustained boomlet. The balance in the markets is, in fact, still precarious. The danger of walking on a slack wire was made plain this week when the warning from ICI that its exports might be lower than the record level achieved in 1952 brought the rise in equity prices to a halt.

To complete the paradox, the gilt-edged market has likewise been firm—though less noticeably so than the equity markets—and it has also enjoyed rather more activity than is usual for August. This firmness, of course, fits the original expectations of the effects of a Korean truce, yet does not square with the assessment of those effects that is apparent in the equity markets. Moreover, the market has ostensibly had to contend with the big gas issue—but the

presumption is that that operation has not, in fact, imposed any burden. The lists closed at 10.30 a.m. on Friday of last week, with the usual appearance of over-subscription—applicants for amounts above £250,000 were scaled down to 75 per cent. But, despite this window-dressing, it is generally assumed that virtually the whole issue was taken by official quarters. From one point of view, that fact may be argued to have bullish implications; it at least shows that the authorities saw no need at present to pitch issue terms at the point at which they would press upon the market. But the need for such pressure may recur—and the gas stock (and a few other tranches, too) remains to be sold.

Sharp Rise in Exports

A JUMP of £30 million in the value of exports, together with approximate stability of imports, makes the provisional overseas trade returns for July the most cheering for six months past. These returns show that exports in July rose to £234.2 million (f.o.b.) from £204.0 million in June. It is true that there were more working days in July than in June—when the Coronation impeded shipments—and that the returns for August will be more affected by industrial holidays. But since last month's rise of £900,000 in imports (to £292.9 million, valued c.i.f.) was partially offset by a fractional rise in re-exports (to £8.6 million), the gross visible trade deficit fell from £80.0 million in June to £50.1 million in July. This gross deficit is likely to contain a fictitious element of between £25 and £35 million (due to the inclusion of freight and insurance charges in recorded import values)—and it also excludes Britain's traditional surplus on invisible account.

In all, these July figures are the best since February, and they compare very favourably with those in the second quarter of this year, when imports averaged £291.7 million a month, exports £210.0 million and the average monthly deficit (including re-exports) was £73.7 million. Exports to North America continued at a very high level in July; they were £30.1 million, against £30.5 million in June and a second quarter average of £29.5 million. Exports to the United States, at £15.2 million, were higher than ever before, although exports to Canada dropped slightly below the previous month's record.

Engineering Exports in the Balance

THE Treasury has chosen to devote a considerable portion of its latest Bulletin for Industry to an analysis of British, American and German engineering exports—evidently as a gentle reminder that conditions are likely to

become increasingly difficult for British exporters. In terms of value, British sales are still high, but their average value in the first five months of this year was 3 per cent below the average for the whole of 1952. Over roughly the same period, German sales showed no change, and American exports rose 3 per cent. The value of German sales still lags behind British sales, however; it has been running this year at an annual rate of £673 million, compared with £1,017 million for Britain and £1,424 million for the United States. A breakdown of exports from the three countries shows that exports are rising now chiefly in those categories where technical advance has been rapid. Mechanical handling and machine tools are high on each country's list of rising exports; British exports of aircraft, industrial valves and earth-moving equipment are also rising, whereas German sales are expanding more rapidly in mechanical handling and miscellaneous machinery. Where designs have changed little—in cars, textile and agricultural machinery and prime movers—the markets appear to be contracting.

The Treasury puts forward several reasons for Britain's relative decline—among them, falling prices and import restrictions in sterling countries. But a similar analysis prepared by the British Engineers' Association suggests that the rising volume of output in exporting countries is likely to squeeze British exporters in markets where they have held undisputed, or scarcely disputed, sway since the war. The accompanying table, prepared by the association, includes exports of machinery and electrical apparatus only; it is, therefore, not comparable with the Treasury figures, which include vehicles and aircraft.

ENGINEERING EXPORTS

	1950 £ mn.	1951 £ mn.	1952 £ mn.	1951 as % of 1950	1952 as % of 1951
USA.....	636.8	818.4	913.1	128	113
United Kingdom.....	401.2	459.8	531.4	114	116
Western Germany.....	126.2	249.0	393.1	198	158
France.....	88.7	128.9	149.4	145	116
Switzerland.....	86.7	97.7	100.5	113	103
Sweden.....	48.7	64.5	71.3	133	111
Netherlands.....	39.5	55.2	63.0	110	114
Italy.....	41.8	58.4	61.2	140	105
Belgium.....	40.2	53.6	58.7	134	111
Canada.....	44.3	57.6	57.3	130	99
Japan.....	25.2	38.5	41.5	163	107

British exporters of engineering goods are still losing good will through late delivery; persistent delays in the delivery of locomotives have led the South African Minister of Transport to say that future orders may have to be placed in other countries even if British bids are lower. Some Canadians have expressed fears that the opening of the Toronto subway may be held up pending the delivery of carriages ordered from a British manufacturer; but in fairness to the company, it should be noted that the delivery date has not yet been reached and there is an even chance that the rolling stock will arrive on time. By contrast, an order for switchgear for the Shell Petroleum Company's Cardon refinery, which was damaged by a power-house fire, was recently delivered in less than 7 months, compared with a usual delivery period of eighteen. It should be possible, now that material supplies are no longer controlled, for

British engineering exporters to avoid losing good will in this way; but they may find that the buyers have long memories.

Brazil's Second Offer

THE Anglo-Brazilian trade and payments discussions took a more hopeful turn towards the end of last week. Brazil's first offer for meeting the commercial arrears of some £63 million owed to British exporters was a small initial token payment, followed by repayments spread over roughly twenty years at the rate of only about £3 million a year. The second offer represents a considerable improvement upon these derisory proposals. It suggests that the initial payment should be £10 million (the requisite sterling being obtained by Brazil from the International Monetary Fund); and that the remainder of the arrears should be paid off at an annual rate varying with the value of Brazilian exports to Britain. These annual payments would be £7 million when Brazilian sterling exports reached £50 million, and would increase or decrease according to variations in this figure—though they would never fall below £5 million. On this formula, the commercial arrears might be expected to be cleared in a little over seven years. Although that is still not a very heartening prospect for the commercial creditors concerned, in all the circumstances it can perhaps be regarded as providing at least a reasonable basis for discussion.

The Brazilian balance of payments may improve considerably if, as now appears likely, a steadily increasing proportion of Brazilian export trade is made eligible for clearing at the free market rate for the cruzeiro instead of the highly artificial official rate. A further step in this direction was taken on Tuesday, when the Bank of Brazil announced "minimum" export prices for coffee, cocoa and certain other export products, and authorised exporters to sell in the free market any currency proceeds received in excess of these minima. It was the expectation of some such development as this that was mainly responsible for some weakness in the price of coffee in the preceding few days. The assumption—and it is probably a reasonable assumption—is that the adverse effect on the Brazilian balance of payments of any such fall in prices would be more than offset by the larger volume of exports that would be shipped if the effective rate of exchange were brought a little nearer the purchasing power parity of the cruzeiro than has recently been the case. The resultant expansion in exports might be expected to be particularly marked in the case of cotton, the commodity that could make the largest single contribution to the improvement of Brazil's balance of payments with sterling countries; but cotton does not appear to have been included in the latest changes.

Although these more hopeful possibilities may be opening out, hard experience may still leave doubts in many minds on whether Brazil can be depended upon to hold strictly to the terms of a bargain that is to be completed only over a protracted period. While the Anglo-Brazilian payments discussions have been proceeding in Rio, negotiations between Brazil and the United States have been held in Washington to discuss the similar problem of the settlement of Brazil's commercial arrears to United States exporters. It will be recalled that an Export-Import Bank loan of \$300 million was made to Brazil last April, designed

to cover more than 75 per cent of Brazilian debts. Brazil agreed to mobilise the additional dollars necessary to complete repayment of arrears by the beginning of July and undertook "to institute and maintain a prompt remittance system for current imports from the United States." As neither of these commitments has been fulfilled, although the \$300 million of the Export-Import Bank loan has been paid over, the anxiety of the American authorities can be readily understood.

Shortage of Sterling

Two other countries—Turkey and Japan—have recently given evidence of a shortage of sterling, which, while not as serious as that of Brazil, is nevertheless increasing. Turkey's shortage, unlike that of Japan, is one not merely of sterling but of other currencies as well—especially of dollars and deutschemarks. This shortage is being temporarily remedied by Turkish purchases from the International Monetary Fund of £2 million, \$10 million and DM 18,480,000. Turkey is now the most active of the Fund's clients—it had previously purchased a total of \$15 million from the Fund. The latest batch of transactions brings the IMF's holding of Turkish currency to 174,289,641 liras, which represents 144.76 per cent of the Turkish quota in the IMF. Turkey has undertaken to repurchase the excess holding of Turkish liras, over and above 75 per cent of the quota, by payments in gold or convertible currencies within the next three and a half years. The Turkish government has also informed the Fund of the measures it is taking to strengthen the country's balance of payments and so to reduce its dependence on the facilities that the IMF has made available.

Japan, also suffering from a sterling gap, still appears to be convinced that it is a purely temporary phenomenon. The Japanese monetary authorities are, therefore, again prepared to ease the shortage by the somewhat expensive expedient of dollar swap transactions, i.e., by selling spot dollars to the United Kingdom for sterling, and undertaking to repurchase the dollars three months later. Transactions of this kind had been arranged earlier this year to the extent of £25 million; these contracts are now being extended for another three months and the total swap has been further increased by the equivalent of about £5 million.

Weakness in Wheat

WORLD wheat prices have started to fall again under the influence of bumper crops in North America and the huge carry-over there. In Chicago, September futures have fallen by 13 cents to about \$1.82 a bushel since the end of last week. The Canadian Wheat Board's prices, which closely follow American export prices at Gulf ports, have fallen by 6-7 cents a bushel, so that No. 1 Northern Manitoba is now selling both under the International Wheat Agreement and in the free market at the same price, \$1.97 a bushel, which is eight cents below the new IWA maximum of \$2.05. The fall was accentuated by the publication early this week of the US Department of Agriculture's crop estimates. Its estimate of the winter wheat crop, which is virtually harvested, has unexpectedly jumped by

57 million bushels to 878 million. This more than offsets a fall of nearly 30 million bushels, to 324.5 million, in its estimate of the spring wheat crop. The total American harvest thus promises to be some 28 million bushels above the previous estimate, at 1,203 million, compared with 1,291 million last year. This, however, is the time when prices are seasonally low, so that it is too soon to say whether the fall will be prolonged. Indeed, the real effect on prices of Britain's refusal to join the new wheat agreement may never be measurable. If the rust damage to the spring wheat crops in the United States and Canada is severe, prices would tend to recover. In any case, the effectiveness of the United States price-support for wheat, standing at \$2.40 a bushel, has not yet been seriously tested.

The renewed weakness in wheat comes just as the British grain trade is entering complete freedom for the first time in fourteen years. The Ministry of Food, having arranged last month for the transfer of its stocks of coarse grains to the trade, has now announced parallel arrangements for its stocks of imported wheat. It seems that for some time the millers will have to carry at their own risk the wheat they buy in the free market. Efforts to reopen the grain futures markets in Liverpool and London are making less progress than had been hoped, owing chiefly, it is believed, to the fear that these markets will not attract sufficient foreign business. To avoid a loss of dollars, the exchange control regulations will not allow a foreign buyer of dollar wheat to take delivery in sterling against a maturing futures contract. Another problem that remains to be thrashed out is the means of implementing, in the context of decontrol, the Government's guaranteed prices for home grains. Discussions on this are now beginning between the Government and the trade, but it should not be difficult to find a workable solution.

Car Sales—and Exports

CAR production has been rising steadily since steel allocations were ended, and by June it had reached an annual rate of nearly 600,000. Output in the first half of the year was affected by the prolonged strike at the Austin Motor Company's works, but in spite of that the half-year's total was 281,497 cars, compared with 228,052 in the same period last year. The industry's exports, however, not only failed to keep pace with rising production; they actually fell appreciably below the shipments achieved from last year's limited output. Not until mid-summer did monthly exports regain the level attained twelve months before. The total for the first half of the year was 153,763, compared with 183,979 in the first half of 1952.

When the export figures are examined in detail, the prospect appears less discouraging. The biggest fall has occurred in sales to soft currency countries. Only 22,000 cars were shipped to Australia in the first half of this year, compared with more than twice that number in the first half of 1952; considerable, though less spectacular, reductions are recorded for most other soft currency Commonwealth countries. By contrast, dollar sales have shown a marked rise. Shipments to Canada have jumped from 8,000 to nearly 22,000 during the half-year, and those to the United States from 13,000 to nearly 18,000. The lifting of import restrictions in some of the Scandinavian countries has also led to an increase in shipments.



In the Seaports of the East...

from the Arabian Sea to the Pacific Ocean the branches of the Chartered Bank perform a wide range of banking services connected with overseas trade and local industry. Merchants and manufacturers in the United Kingdom who trade into the East are invited to consult the Bank's managers in London, Manchester and Liverpool.

THE CHARTERED BANK OF INDIA, AUSTRALIA & 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 St., Manchester, 2.
Liverpool Branch: 28 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

PLASTICS for today and tomorrow

From derivatives of such prolific natural products as coal and oil man created plastics—a variety of materials in which he can produce predetermined characteristics with advantages which have profoundly influenced the design of countless articles for industry and the home.

The present and potential value of plastics to manufacturers is nowhere more clearly to be seen than in the many materials produced by BX—ranging from the original Xylonite, through the whole range of Thermoplastics.

Research, with our customers, during the past year, for example, has resulted in the production of such things as a flexible refill for oil-guns (Velbex); a yarn for making snow-boot insoles for use in Korea (Saran); and specialised fittings for aircraft (Cobex). Whatever your own problem it will pay you to talk to BX about it.

BX Plastics Ltd. Manufacturers of Plastics

Higham Station Avenue, London, E.4
Telephone: LARKSwood 5511

An announcement from

Shell-Mex and B.P. Ltd.

Among outstanding exhibits at this year's Engineering and Marine Exhibition (Olympia—London, 3-17 September) will be seen—

A Ruston Gas Turbine

Ruston and Hornsby Ltd. will be showing a 750-1,000kW gas-turbine generating set in full working order supplying electricity for use in the exhibition halls. This machine will be lubricated with Shell Turbo Oil 29 and will be operating on Gas Oil, also supplied by Shell-Mex and B.P. Ltd.

A Peaceful use of Atomic Energy

For the first time in Britain—and possibly in any country—a live public demonstration of the use of radio-active isotopes in the measurement of wear will be staged on the Shell and B.P. stand (Row F, Stand 11). Demonstrations will be given at set times and admission will be by ticket. Application for tickets may be made to any Shell and B.P. Divisional Office or on the stand during the exhibition.

Shell-Mex House, Strand, London, W.C.2.



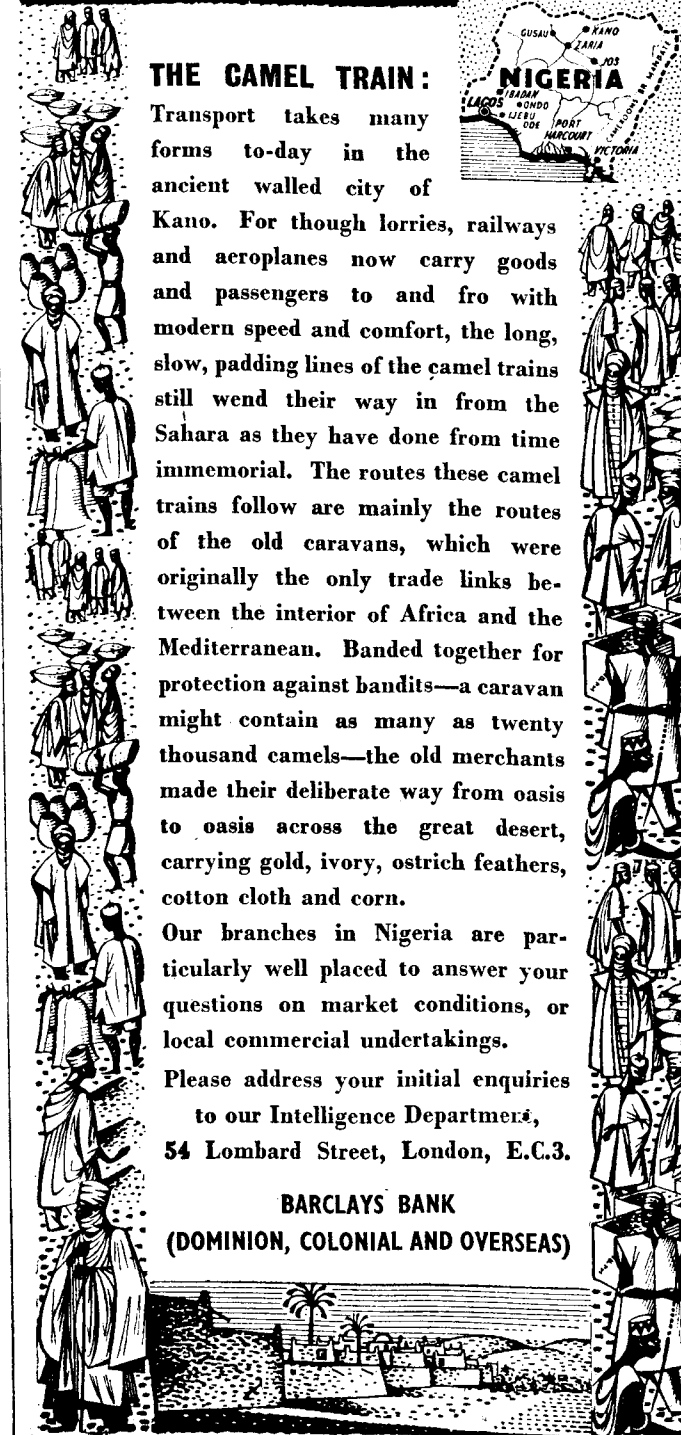
THE CAMEL TRAIN:

Transport takes many forms to-day in the ancient walled city of Kano. For though lorries, railways and aeroplanes now carry goods and passengers to and fro with modern speed and comfort, the long, slow, padding lines of the camel trains still wend their way in from the Sahara as they have done from time immemorial. The routes these camel trains follow are mainly the routes of the old caravans, which were originally the only trade links between the interior of Africa and the Mediterranean. Banded together for protection against bandits—a caravan might contain as many as twenty thousand camels—the old merchants made their deliberate way from oasis to oasis across the great desert, carrying gold, ivory, ostrich feathers, cotton cloth and corn.

Our branches in Nigeria are particularly well placed to answer your questions on market conditions, or local commercial undertakings.

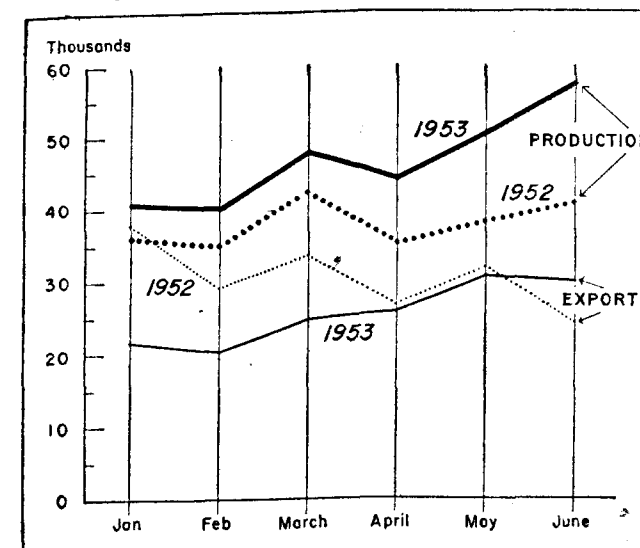
Please address your initial enquiries to our Intelligence Department,
54 Lombard Street, London, E.C.3.

BARCLAYS BANK
(DOMINION, COLONIAL AND OVERSEAS)



This pattern of exports cannot be expected to continue during the second half of the year. The car trade is highly seasonal and sales in the Northern Hemisphere—especially in North America—begin to fall off after midsummer. A high year-round level of car exports is possible only if the main southern markets—Australia, South Africa and New Zealand—will allow cars in during the winter months. Import restrictions in each of these three markets upset the postwar pattern of the industry's exports last year, but recent relaxations in Australia suggest that the prospect this

CAR PRODUCTION IN GREAT BRITAIN



year is more promising. Licences are now being issued for the import of unassembled cars at the level of 80 per cent of imports during the base year (1950-51) and for 40 per cent of the base year's import of assembled cars.

The home market also appears able to absorb a considerable number of cars. Judging by the number of orders on their books, manufacturers believe that there may still be an average waiting list of six months for small cars, though naturally the position varies from one dealer to another. Bigger cars, with the exception of the Jaguar, can be delivered immediately. It is, however, only a matter of time before the industry succeeds in adjusting the balance of its production between small and larger cars—but the size and behaviour of the home market remain something of an enigma.

Tin and Rubber in Travail

AFTER dropping further on the news of the Korean truce—to their lowest levels for over three years—the prices of tin and rubber this week looked as if the worst was temporarily over. Tin has, in fact, staged a rally; it is now about £592 per ton for cash metal compared with £579 a week ago, while spot rubber has held fairly steady at about 18½d. per lb. Unhappily, however, these two commodities—which are so important for the sterling area's balance of payments—share the distinction of being produced substantially in excess of commercial requirements; they are thus very much at the mercy of American strategic purchases. Estimates just published by the Rubber Study Group show that world output of natural rubber in the first half of 1953 fell by 30,000 tons to 827,500 tons; commercial

consumption rose by 57,500 tons to 792,500 tons, leaving an apparent surplus of 35,000 tons (although, because of idiosyncrasies in the production statistics, the real surplus was probably higher). As commercial stocks fell by an estimated 27,500 tons over this period, strategic purchases must have been of the order of 60,000 tons; the United States stockpile seems to have absorbed about 40,000 tons and the British stockpile about 12,000 tons. The Tin Study Group's figures for the first five months of this year show that world output of tin metal was running at an annual rate of 184,300 tons compared with 168,000 tons in 1952; commercial consumption also improved slightly, to an annual rate of 133,200 tons (compared with 127,500 tons in 1952), but commercial stocks fell. This suggests that the United States stockpile may still be absorbing tin at an annual rate of over 50,000 tons.

The disquieting feature of these statistics is that American strategic purchases are due to cease about the end of this year. This prospect, together with the fall in tin and rubber prices in the last few months, may give more power to the pleas of those who are urging the establishment of international commodity agreements of the buffer stock variety. Since the International Tin Study Group discussed a draft agreement in Brussels last June, tin has dropped by about £100 per ton; rubber has dropped by about 2d. per lb since the International Rubber Study Group discussed a similar agreement in Copenhagen last May. Though a majority of the governments represented at Brussels will probably recommend the reconvening of the United Nations conference on tin, the conference can hardly assemble before November, and if an agreement is reached it can hardly become effective before mid-1954. The management committee of the Rubber Study Group meets in London on October 12th to decide whether member governments should be asked if they now favour calling a United Nations conference on rubber to reconsider the draft scheme that the Copenhagen meeting left in abeyance. But here again—and at best—no action to stabilise rubber supplies and prices could be expected before mid-1954. And it seems more doubtful than ever whether any such schemes would be ratified by the American Congress; its attitude to commodity schemes for sterling area products has not been helped by Britain's refusal to join the new International Wheat Agreement.

Potash Loan Offer

NEGOTIATIONS for a resumption of service of the 25-year sinking fund gold loan of the German Potash Syndicate are again deadlocked. It was announced at the end of last week that the Royal Exchange Assurance and J. Henry Schroder & Co. had rejected, on behalf of the bondholders, the latest terms for a resumption of service put up by the Potash Syndicate, although these proposals represented some improvement upon the earlier ones. This latest offer provided for payment of future interest and funding of arrears on the lines indicated in the German External Debt Agreement of last February. The dollar clause would be honoured in respect of all future payments to the bondholders, but the distribution of £35 10s. per cent sanctioned by the meeting of bondholders held in March, 1951, was to be taken as having discharged a like amount of nominal capital without benefit of the dollar option. It was also suggested that any further sum becoming available for the service of

the loan out of the proceeds of potash sales should be utilised, not to improve the terms of settlement, but in acquiring bonds for cancellation, either by purchases in the market or by drawings. The maturity of the loan was to be extended for 25 years from the beginning of 1953.

The bondholders' representatives consider that this offer still does not conform to the requirements of the London Debt Agreement. They objected, in particular, to the exclusion of the capital repayment of March, 1951, from the benefit of the dollar option and to the proposed considerable extension of the maturity dates. The next step may be recourse to arbitration under the provisions of the London Debt Agreement. The news of this deadlock has had little effect upon the market in the bonds concerned. The 7 per cent bonds, which should have been paid off in 1950, have in fact risen slightly over the past week from 109½ to 110½, while the 6½ per cent bonds, which were due for repayment this year, have remained unchanged at 104½. These prices suggest that hopes of a mutually satisfactory settlement have by no means been abandoned.

Tourist Concession Withdrawn

THE Treasury has come to regret a friendly gesture that it made to dollar tourists. Visitors to this country from Canada or the United States have been able for the past four years to obtain from the banks five £1 purchasing vouchers every time they sold £15 (or, more recently, £10) worth of dollars for sterling currency. These vouchers entitled them to buy tax-free across the counter, and to use during their stay in Britain, goods that are normally sold subject to purchase tax—provided that they undertook to take the goods out of the country when they left. The scheme first applied only to personal clothing, but it was later extended to include all goods that attract purchase tax. Then, however, it became obvious that the vouchers were being used to buy without tax articles that could never be used in the United States and Canada—but were very useful to the visitors' English friends. A new list was therefore drawn up specifically excluding from the scheme certain articles, such as furniture, sewing machines, water softeners and garden rollers.

This arrangement, however, has not worked well from the Treasury's point of view, and the Financial Secretary reported to the House of Commons that "the imperfections inherent in this experimental scheme now outweigh the benefits derived from it." The issue of the coupons is therefore to cease at the end of the year. This decision does not affect the concession that is made to all tourists, wherever they come from, permitting them to buy without purchase tax goods that will be delivered to them either direct to their own homes overseas or to the ship or aircraft on which they leave.

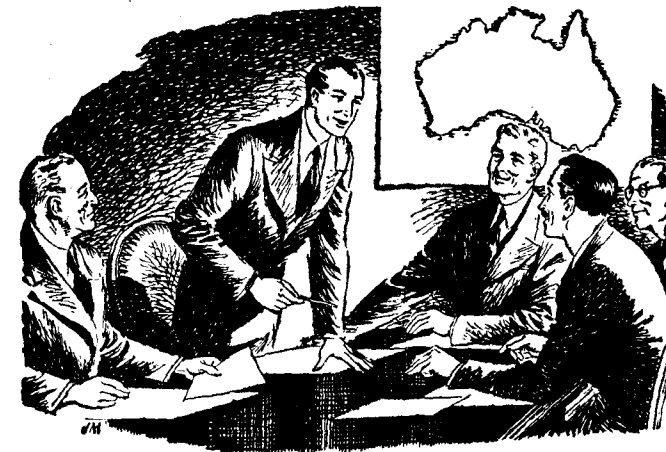
In the first half of this year, more than 350,000 tourists visited this country, 17 per cent more than in the same period last year. The revenue from these tourists, including their fares, is expected to reach £125 million for the year, compared with £114.5 million for the whole of 1952. Personal expenditure by visitors while in this country (including hotel bills but excluding fares) seems to average about £110 per head, £22 of which is spent on shopping; this suggests that this year's tourists must have bought goods to the value of about £7.7 million in the first six months. The Treasury's decision to withdraw the dollar

visitors' special vouchers is not likely to make much difference to their spending. The reduction in tax rates has made the contrast between the price of goods before and after tax less striking than it formerly was, at least for the kind of things that tourists buy for their own use during a visit. The Treasury will benefit fractionally from the fact that Americans will in future pay purchase tax on the presents they buy for their English friends, while the shops will no longer have to go through the cumbersome process of claiming purchase tax rebates on goods sold against the special vouchers. Whether something will be lost in good will remains to be seen, for the great majority of tourists, whatever their nationality, are of the class that has to count its pennies.

The Brush Offer

THE long-expected application to the capital market by Brush Electrical Engineering is designed to raise some £914,000 net of new money. Each successive balance sheet of this concern culminating in the 1952 accounts which revealed that the group owed its bankers about £8 million and that it had been forced to pass its final dividend—has made the need for a new issue more obvious; but with the company's 5s. ordinary shares standing below par, it has also been obvious that an equity issue was out of the question. Brush has now attempted to overcome this difficulty by offering 940,000 new 6 per cent £1 cumulative convertible redeemable preference shares at par; the sponsors of this issue, Rowe and Pitman, have undertaken to subscribe for the whole of it at a commission of 6d. a share. Even with a high coupon rate and the promise of final redemption at 21s., a straight issue of this kind could not attract very widespread support, particularly as it will rank after the 5½ per cent £1 preference stock units already in issue; these are currently quoted at 15s. 9d. each.

Brush has therefore added a sweetener by offering subscribers the right to convert the preference shares into equity shares, at a rate equivalent to 6s. on each equity share, on every June 30th or December 31st up to the end of 1963. This option has no attractions whatsoever at the moment, for the company's ordinary shares are currently quoted at 4s. 6d. each. But there must be some investors who will think that, with a business with as wide a margin as that of Brush, there is a good chance that the ordinary shares will rise above 6s. in the next few years, but who are not sufficiently willing to back this hunch now by paying the current market prices of 4s. 6d. for an equity on which the last dividend was passed. To them the offer of a 6 per cent preference share while they "wait and see" might be tempting. They should remember however, first, that this issue will not go far in easing the group's working capital problems and that Brush will still be very dependent on loans from the banks; and, secondly, that it would be foolish to enthuse about the immediate prospects for the sale of diesel engines and some of Brush's other products in foreign markets. On the other hand, there has been a "shake-out" in the Brush organisation and the intention is, wisely, to concentrate upon the production of electrical equipment rather than upon diesel engines. The directors' sober assessment of the immediate situation is that "if conditions in world markets do not deteriorate further" earnings should cover all preference dividends, leaving "a margin of profit."



A go-ahead firm discusses a factory in Australia

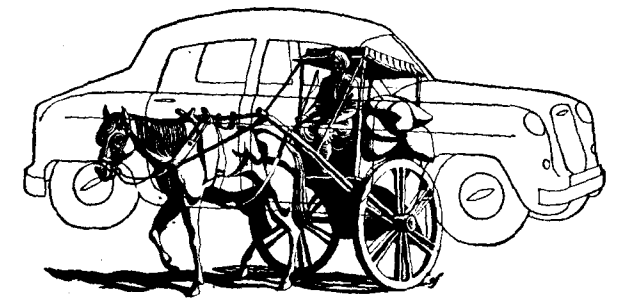
"The idea seems sensible to me, but it's no good groping in the dark. Where can we get some facts?" "What about asking A.N.Z. Bank? They've got branches all over Australia and they've been there well over 100 years. They ought to know something."



Indeed we do—and we make our knowledge readily available. Our Overseas Department will send you two booklets which will tell you just what you want to know at this stage: "INDUSTRIAL AUSTRALIA"—containing authoritative information on industrial resources, markets, labour and finance. "COMPANY FORMATION IN AUSTRALIA"—a general guide to Company Law, with notes on current taxation.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
THE BANK OF AUSTRALASIA LIMITED Established 1835
THE UNION BANK OF AUSTRALIA LIMITED Established 1837
71, CORNHILL, LONDON, E.C.3. Telephone: AVENUE 1281



The way in which Eastern tastes and fashions

are influenced by the West is not easily appreciated from afar. British businessmen, however, have in the National Bank of India a direct link with the life and commerce of India, Pakistan, Ceylon and elsewhere. Through the Head Office or any other branch of the Bank they can obtain first-hand information on all aspects of the Eastern scene.

NATIONAL BANK OF INDIA LIMITED

Branches in:
INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN AND SOMALILAND PROTECTORATE.

Bankers to the Government in:
ADEN, KENYA COLONY, UGANDA AND ZANZIBAR.

Head Office:
26, BISHOPSGATE, LONDON, E.C.2.

IF YOU BUY MAN HOURS—read this factual schedule:

Internal Telephones	Staff Location & Broadcasting	Time Control
① By freeing G.P.O. switchboard from inter-office calls, we've saved 50% of operating cost. Quick access to personnel and information has reduced our G.P.O. account 5% and we save £300 p.a. on other messengers' wages.	10% saving of executives' time increases efficiency. Quick reporting and repair of breakdowns reduces time wastage by 2%, adds 1% to production... regular broadcasting of music increases keenness, alertness and output.	Time recording system in departments and automatic break and pre-resumption signals system made 36,500 extra man hours per annum available for production—equalling 2% of total wage bill and 2% of output.
② ...we would certainly be lost without them... extending our system to cover all departments has much increased administrative efficiency.	Our staff are happier and more contented. Broadcasting for locating staff is of immense assistance.	Departmental time recording saves 5 hours 40 minutes paid man hours per day... break time signals system saves 10 hours 40 minutes man time per day. £1,950 extra man hours value thus made available per annum.
③ Specific cash savings are 5% on G.P.O. telephone charges and £150 p.a. wages of messenger... switchboard operator is able to do other work.	...we consider that speedy broadcasting of information and quick location of breakdown personnel increased production efficiency by over 5%.	Recording of time in departments instead of at the gate adds 3% to productive value of wages paid. T.R. Attendance Cards save 24% of salaries of wages department.

It is compiled from information supplied by users of T.R. Service who, like more than 20,000 other subscribers, find T.R. Internal Telephones, Broadcasting and Staff Location and Time Control essential to the smooth and efficient running of their businesses. The cases quoted below are as follows:

① Plastic Manufacturers—448 employees ② Metal Stampers—160 employees ③ Ironfounders—550 employees.

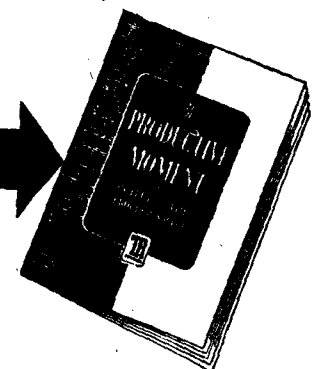
Originals of these users' reports and many others from widely differing industries are available for inspection.

Find out how T.R. Service can help your business too. SEND FOR THIS FREE VOLUME

It explains how T.R. Service increases productivity by solving time problems that are similar to yours. If you are an employer of labour write on your business heading now for your copy of "The Productive Moment" to Telephone Rentals Ltd., 25 Kent House, Rutland Gardens, London, S.W.7

WHEN IT'S A QUESTION OF TIME  SERVICE SPEEDS PRODUCTION

14 T.R. Service Branches throughout the United Kingdom. Also Johannesburg, Cape Town, Paris and Brussels



Triumph in Titanium?

THE news that Imperial Chemical Industries is to instal plant to produce 1,500 tons of sponge titanium a year seems to indicate a most opportune triumph for its research scientists. ICI's last annual report mentioned guardedly that a very promising alternative method of producing this extraordinarily expensive metal was being developed in its laboratories; the construction of new plant, backed by a sales contract with the Ministry of Materials, implies that the development has been successful. Under the complex Kroll process at present in use, even though titanium ore costs only 1d. per lb, sponge titanium costs about £2 per lb and titanium in wrought form costs about £5 per lb; losses in machining, moreover, cannot be recovered as scrap. Simpler and cheaper methods of production have been under intense study in the United States, the major producer of this metal, and in Canada as well as in Britain. In the absence of indications to the contrary, it seems fair to conclude that Britain now leads the field.

Titanium-bearing ores are a common element, and ample non-dollar supplies are available in Norway, India and Australia. When converted into metal and alloyed with other elements it can have a tensile strength of about 70 tons per square inch, equal to the strongest steels at little over half their weight. It also possesses exceptional hardness and resistance to corrosion. Despite its high price, the metal is being used increasingly in aircraft construction—in the manufacture of compressor blades for gas turbine engines and in airframe parts. Any reduction in the price would certainly stimulate demand.

Production from ICI's new plant is expected to begin in two years. The Ministry of Materials will buy directly up to 75 per cent of output in the first four years (if not otherwise sold for use by Government contractors) and it has an option on the full output if needed for defence

purposes. It will pay the world price current at time of purchase. The new capacity is additional to the 150-ton-a-year pilot plant that should be in production early in 1954. For the last three years the company's output has been some 16 tons a year from a laboratory-scale plant.

Recovery in Copper

COPPER has steadily recovered much of the ground it lost when the market reopened last week. The advance, which has not passed unnoticed on the Stock Exchange, has been strongest in cash metal, supplies of which are fairly tight. By Thursday's close, cash copper had risen to £232 per ton, compared with £215 on the opening day, and with the last official price of £252 per ton. The initial fall evidently went too far, and the subsequent rise also owes something to the threat of a strike on the Rhodesian copper belt. The bulk of the business has been in forward copper, which is in easier supply. Three months' copper had recovered from £200 on the opening day to £212 on Thursday. Turnover on the market has been promising, averaging well over 1,000 tons a day, and some business has recently been done with the continent.

The firmness that has developed in London has probably helped to maintain the American price, which is still about 30 cents a lb (£240 per ton) for cash metal. The action of one of the leading custom smelters, which reduced its price to 28.50 cents (£228 per ton) shortly before London reopened, has been coolly received by other American producers. Barring a strike in Rhodesia (the vote on which had not been announced when this issue of *The Economist* went to press), or a cut in the present Chilean price of 35.50 cents (£284 per ton), the London market seems likely to settle at about the current level for some little time.

Company Notes

RUSTON AND HORNSBY.

Shareholders in Ruston and Hornsby would be unwise to assume that the Coronation bonus of 1½ per cent that has accompanied their normal equity dividend of 11 per cent for 1952-53 will be consolidated into the total equity dividend for 1953-54. This bonus may prove to be a once-and-for-all reflection of last year's sudden spurts in trading profits (from £2,475,750 to £2,824,364) and in net profits (from £898,301 to £1,126,522). After these achievements it is a little surprising that a concern producing such a wide range of capital goods as diesel locomotives, oil engines, boilers and gas turbines should be uneasy about the future course of trade. But in his annual report to stockholders the chairman of the group, Mr W. J. Ruston, enumerates sufficient reasons for caution.

In the first place, the group is short of liquid resources. Its cash balances have been reduced from £1,145,783 to £775,056, in line with an increase in stock values from £5,831,379 to £6,692,360—a level that the chairman describes as "too high."

Unless part of these stocks are liquidated in the current year, the group may have

	Years to March 31, 1952	1953
<i>Consolidated earnings:—</i>		
Trading profit	2,475,750	2,824,364
Total income	2,662,096	3,032,818
Depreciation	328,508	375,425
Plant replacement res..	120,000	120,000
Taxation	1,299,585	1,395,380
<i>Net profit</i>	<i>898,301</i>	<i>1,126,522</i>
Ordinary dividends	236,775	281,875
Ordinary dividends (per cent)	11	12½
Retained by subsidiaries	161,604	303,047
General reserve	457,957	484,918
Added to carry forward	29,627	4,951
<i>Cons. balance sheet:—</i>		
Fixed assets, less depreciation	2,519,296	2,888,884
Net current assets	7,758,889	8,665,336
Stocks	5,831,379	6,692,360
Cash	1,145,783	775,056
Reserves	5,972,010	6,937,302
Ordinary capital	4,100,000	4,100,000

£1 ordinary share at 39s. xd. yields 6½ p. per cent. * Including a Coronation bonus of 1½ per cent.

to look around for new sources of finance to meet its outstanding capital commitments of £840,000 for new tools and plant. Secondly, although the group's total order

book is as full as it was a year ago, it has had "to reduce production in several directions due entirely to market difficulties." Its customers in Brazil, Egypt, India and Pakistan are suffering from "either a lack of licences or of sterling." If these conditions persist, Mr Ruston believes that the group is bound to face "some recession in trade and earnings in the current year." He finds other reasons for concern in the growing threat of competition from German and Japanese producers and in the steady rise in costs in Britain. To some extent the group is combating these threats by developing new markets—Canada is one—and new products; but Mr Ruston's address drives home the warning that producers of capital goods in this country are now meeting some of the difficulties with which producers of consumer goods have been all too familiar for the past eighteen months.

JOHN BROWN. The setback in the net profits of the John Brown group in the year to March 31st last has proved to be much more severe than even the most pessimistic shareholders had expected. In spite of a reduction in the

provision for taxation from £1,892,455 to £1,280,282, net profits have slumped by nearly 33 per cent, from £1,040,278 to £699,659. In their preliminary report, the directors go out of their way to explain that "the fall in the group trading profit arises mainly in respect of subsidiary companies trading in tungsten-bearing products." It is known that heavy stocks of wolfram were being carried last year by the subsidiary, Firth Brown Tools, which consumes a good deal of tungsten in producing high speed steels; the fall in the price of wolfram suggests that once-for-all losses on these stocks may have played an important part in last year's results—in which case the group's prospects may not be as bleak as might appear at first reading of the profits statement.

It is also possible, however, that part of the decline in earnings should be attributed to a narrowing of profit margins as competition has grown keener in foreign markets and to the burden of building merchant ships at today's costs, while having to sell them at prices fixed under contracts agreed a few years ago. Be that as it may, the decline in profits has not prevented the directors from again recommending a tax free ordinary dividend of 7½ per cent. On the basis of this dividend the £1 ordinary stock units at the current price of 36s. offer a gross yield of 7.6 per cent.

FURNESS WITHY. The preliminary report of Furness Withy for the year to April 30th last bears out in almost every particular the warning given by the chairman last autumn that the earnings of this ship-owning concern would not match the records set up in 1951-52. Indeed, in spite of this clear warning, the fall in the group's net profits—from £2,893,688 to £1,869,877—is

rather bigger than most shareholders had anticipated. Gross profits have fallen even more abruptly, for the figure for net profits is struck after taking credit for substantial reductions both in the provision for British taxation (from £3,164,994 to £1,370,124) and in the transfer to the taxation equalisation account (from £444,740 to £284,481).

The reduction in profits, which must be attributed in part to the decline in shipping freight rates and in part to a rise in operating and capital costs, has forced the directors to cut the ordinary dividend rate from 12½ to 12 per cent and to reduce the appropriation to the fleet replacement account from £500,000 to £400,000. One small crumb of comfort is that the reduction in the standard rate of income tax means that the actual dividend cheques received by shareholders (after the payment of tax) will be a few pence higher than those received a year ago; they will total £396,000, compared with £393,750 in 1951-52. On the basis of the 12 per cent dividend, the £1 ordinary stock units at the current price of 32s. yield 7.5 per cent.

PATONS AND BALDWIN.

In a note in these columns on August 1st it was stated that the total income of Patons and Baldwins for the year ended May 3, 1952, was debit £482,660. This figure was actually the net deficit, and the strictly comparable figure with the total income of £3,795,819 in 1952-53 is the surplus or deficit brought into the consolidated profit and loss account plus the non-recurring and exceptional credits. On this calculation, which does not allow for the £700,000 written back from the contingencies reserve, "total income" in 1951-52 would amount to £237,945.

THE ACTUARIES' INVESTMENT INDEX

Group	No. of Secs	Price Indices (Dec. 31, 1938=100)					Average Yields (per cent)				
		July 31, 1951	July 29, 1952	May 26, 1953	June 30, 1953	July 28, 1953	July 31, 1951	July 29, 1952	May 20, 1953	June 30, 1953	July 28, 1953
2½% Consols	1	93.5	80.0	86.9	85.8	86.4	3.80	4.46	4.10	4.15	4.13
Industrial debenture	20	95.7	82.9	86.3	87.4	87.7	4.28	4.96	4.75	4.69	4.68
Investment trust debenture	4	94.0	79.5	84.4	84.7	85.1	3.85	4.57	4.30	4.29	4.26
Industrial preference	64	98.2	86.1	91.7	92.4	92.3	4.94	5.64	5.31	5.26	5.27
Investment trust preference	8	90.0	78.3	84.0	84.2	84.0	4.71	5.50	5.12	5.11	5.12
<i>Ordinary shares:</i>											
Banks & discount co.'s.	10	99.9	80.7	93.1	94.9	96.6	4.20	5.34	4.73	4.64	4.58
Insurance	10	122.0	106.1	121.1	118.9	124.2	3.91	4.80	4.53	4.62	4.43
Investment trusts	9	154.6	129.8	150.7	151.6	153.9	4.75	6.40	5.94	6.05	5.96
Aircraft manufacturing ...	5	101.7	95.5	101.9	101.9	104.3	6.02	6.83	6.56	6.82	6.65
Building materials	6	152.8	143.9	150.2	153.7	156.7	5.27	6.03	5.94	6.14	5.76
Cotton	5	288.5	208.8	210.4	207.6	209.8	6.01	7.90	7.37	7.48	7.32
Electrical manufacturing ...	12	143.9	116.9	127.3	129.0	131.9	4.58	6.04	5.68	5.65	5.56
Motors	6	198.9	161.6	170.6	168.9	173.4	5.67	7.97	7.64	7.77	7.56
Oil	4	122.1	124.5	128.6	127.7	140.1	6.08	6.35	6.52	6.80	6.21
<i>Total (production)</i>	<i>38</i>	<i>156.1</i>	<i>133.3</i>	<i>140.9</i>	<i>141.4</i>	<i>145.5</i>	<i>5.40</i>	<i>6.76</i>	<i>6.46</i>	<i>6.58</i>	<i>6.35</i>
Coal	8	171.4	152.3	151.3	153.8	163.2	4.29	*	*	*	*
Shipping	7	271.1	245.0	270.8	274.8	279.6	5.42	7.33	7.54	7.43	7.31
Stores and catering	16	178.6	146.1	190.1	195.1	199.4	5.58	6.95	5.59	5.48	5.36
<i>Total (distribution)</i>	<i>23</i>	<i>197.3</i>	<i>166.2</i>	<i>205.8</i>	<i>210.5</i>	<i>214.8</i>	<i>5.53</i>	<i>7.06</i>	<i>6.18</i>	<i>6.08</i>	<i>5.95</i>
Breweries & distilleries ...	20	119.0	106.4	99.9	102.1	102.9	6.10	6.92	7.33	7.21	7.16
<i>Total (miscellaneous)</i>	<i>39</i>	<i>126.5</i>	<i>109.7</i>	<i>110.2</i>	<i>112.0</i>	<i>113.7</i>	<i>5.64</i>	<i>6.64</i>	<i>6.67</i>	<i>6.61</i>	<i>6.53</i>
Total industrial (all classes)	100	150.5	128.9	138.6	140.4	143.4	5.52	6.78	6.47	6.47	6.33

* The yield is not quoted for this group.

LONDON STOCK EXCHANGE

Next Account begins: August 19th.
Next Contango Day: August 19th.
Next Settlement Day: August 25th.

THE rally in industrial equities, which has been the most notable feature of the stocks markets since the Bank Holiday, continued until the market opened on Wednesday; then prices were marked down slightly after the report from ICI that its exports may be lower than they were in 1952. Gilt-edged stocks continued to gain some ground, with interest being particularly concentrated upon the long and medium dated issues; by the close on Wednesday old Consols were quoted at 61½ and the 1960 Exchequer stock at 100½, while the new Gas stock was quoted throughout this period at ½ discount to par. A little extra demand was also reported in Dominion and Colonial stocks, especially for the medium dated Australian and New Zealand issues. Insurance shares remained firm in quiet trading conditions but home banking shares tended to drift a little lower. In the foreign market, Japanese bonds, which had been dull before the week-end, responded quickly when a few more buying orders came into the market. By contrast, German issues, which had been firm over the week-end, were marked lower later in the week. Hungarian issues, in which there had been some speculative buying, also came on offer.

In the industrial market the rally in prices was centred on engineering, textile, stores and "take-over" shares. It was not brought to a halt until Wednesday when the *Financial Times* ordinary share index lost 1/10th of a point to 122.6 and when ICI shares were marked down 10½d. to 44s. 6d. Oil shares were also quieter though the undertone remained reasonably firm. Rubber shares were firm in idle trading conditions but tea shares, in similar conditions, gave some ground. Although interest in the Kaffir market was at a low ebb prices were generally steady—until Wednesday, when some "developers" lost a few pence. In base metal shares coppers rallied smartly following the improvement in the price of the metal.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Aug. 5....	122.0	108.82	4.10	5.73
" 6....	122.3	108.86	4.09	5.71
" 7....	122.6	108.83	4.10	5.70
" 10....	122.7	108.86	4.09	5.69
" 11....	122.7	108.86	4.09	5.69
" 12....	122.6	108.87	4.09	5.70
			Total bargains	
1953, High.	125.0	108.87	Aug. 5	7.724
(Mar. 6)	(Aug. 12)	" 6	7.379	
" Low.	113.9	105.68	" 7	7.381
(May 20)	(Jan. 5)	" 10	8.275	
1952, High.	121.5	106.66	" 11	7.177
(Jan. 1)	(Jan. 9)	" 12	6.845	
" Low.	103.1	100.67		
(June 24)	(July 3)			

* July 1, 1925=100. † 1928=100.

Statistics

BRITISH			OVERSEAS		
Prices and Wages.....	Aug.	8th	Western Europe :	Aug.	8th
Production and Consumption	This	week	Production and Trade.....	This	week
Manpower.....	July	18th	British Commonwealth		
External Trade.....	July	25th	Western Europe :		
Financial Statistics.....	This	week	Prices and Money Supply	July	18th
Industrial Profits.....	Aug.	1st	United States	July	25th

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	April	May	June	March	April	May	June
INDUSTRIAL PRODUCTION												
Index:												
All industries.....		1948=100	114	117	114	110	117	112	124	119	123	120—121
Mining and quarrying.....		"	104	108	109	106	112	106	115	111	110	...
Building and contracting.....		"	105	101	104	96	102	110	111	...	...	...
Gas, electricity and water.....		"	116	124	127	120	113	108	142	132	119	...
Manufacturing, total.....		"	116	121	115	112	120	113	126	120	126	...
Engineering, shipbuilding, electrical goods.....		"	116	127	127	123	130	126	136	...	...	...
Vehicles.....		"	121	124	123	123	135	124	135	129	...	...
Chemical trades.....		"	124	134	131	125	129	129	154	...	...	...
Textiles and clothing.....		"	117	116	99	91	97	86	122	113	...	...
BASIC MATERIALS												
Production of:												
Coal (°).....	W	'000 tons	4,149	4,275	4,331	4,156	4,438	4,228	4,522	4,365	4,332	4,160
Pig-iron.....	W	"	185	186	202	201	201	200	216	213	215	211
Steel, ingots and castings.....	W	"	313	301	310	305	312	313	351	349	351	338
Sulphuric acid.....	M	"	150.2	133.8	125.5	128.5	113.0	105.0	162.5	159.0	153.4	...
Newsprint.....	W	"	10.46	10.13	10.32	11.40	11.06	11.17	12.21	11.60	13.11	...
Electricity (°).....	M	mn. kwh	4,543	4,964	5,166	4,775	4,584	4,127	5,992	5,269	4,856	4,626
MANUFACTURING												
Textile production:												
Cotton yarn, single.....	W	mn. lb	20.23	20.71	14.82	12.20	12.57	10.97	18.24	17.48	18.45	17.04
Worsted yarn.....	M	"	18.91	16.61	14.84	12.23	13.59	11.90	19.09	17.82	17.14	...
Rayon and synthetic fibres, total.....	M	"	30.94	32.00	23.59	16.60	9.55	11.74	36.29	32.75	36.91	35.04
Rayon and synthetic fibres, staple fibre.....	M	"	14.44	13.93	10.59	5.53	7.10	2.40	17.21	14.81	17.86	17.62
Cotton cloth, woven.....	W	mn. yds	40.8	42.3	32.5	31.9	31.9	26.9	35.3	33.8	35.8	36.1
Wool fabrics, woven.....	M	mn. sq yds	37.5	34.8	31.5	27.0	28.8	25.6	36.1	32.2	31.1	...
Engineering production:												
Passenger cars and chassis.....	W	'000s	10.05	9.15	8.62	8.81	9.57	8.20	9.62	11.05	12.65	11.51
Commercial vehicles and chassis.....	W	"	5.02	4.96	4.65	4.55	5.09	4.40	4.04	4.19	4.92	4.33
Metal-working machine tools.....	M	'000 tons	9.63	11.09	12.58	11.78	11.20	13.04	13.11	14.12	...	...
Internal combustion engines.....	M	'000 BHP	298	353	331	351	389	328	317	303	332	...
BUILDING ACTIVITY												
Permanent houses completed (°)												
Total.....	M	'000s	16.51	16.24	19.99	17.40	19.49	20.47	28.73	23.26	26.01	26.60
For private owners.....	M	"	2.28	1.88	2.86	2.36	2.35	2.75	4.51	4.44	4.61	5.22
For local housing authorities.....	M	"	13.64	13.55	16.11	13.91	16.20	16.59	23.17	17.70	20.15	20.15
Other.....	M	"	0.60	0.81	1.03	1.14	0.95	1.13	1.05	1.12	1.25	1.23
WHOLESALE SALES (°)												
Textile houses:												
Total home sales.....		Av. value 1950=100	100	104	90	89	90	64	117	96	91	69
Women's and children's wear.....		"	100	100	90	91	91	62	126	101	94	65
Men's and boys' wear.....		"	100	104	82	80	90	66	104	92	92	79
Piece-goods.....		"	100	103	68	63	66	46	90	62	67	53
RETAIL SALES (°)												
Large retailers:												
All merchandise.....		Weekly av. value 1950=100	100	109	117	112	116	114	120	118	126	...
Clothing and footwear.....		"	100	110	110	108	118	109	104	105	126	...
Household goods.....		"	100	108	102	88	94	87	107	103	111	...
Independent retailers:												
Clothing and footwear.....		"	100	100	95	95	106	90	85	89	109	...
Household goods.....		"	100	112	109	99	102	90	113	112	125	...
STOCKS												
Basic materials:												
Coal, distributed (°).....		'000 tons	12,423	16,115	16,311	13,611	14,986	16,531	12,720	12,812	13,895	15,199
Steel.....		"	995	585	739	570	580	657	804	867	...	...
Copper.....		"	104.3	113.4	132.0	107.9	114.1	106.8	149.2	165.4	182.5	...
Sulphur.....		"	81.1	99.4	211.8	109.9	142.0	148.6	180.2	170.5	160.5	...
Newsprint.....		"	99.0	109.9	189.7	140.0	148.7	162.9	164.6	158.0	157.9	...
Softwood.....		'000 stds.	217	724	616	646	648	657	619	602	618	...
Textiles:												
Wholesale houses, total(°).....		Av. value 1950=100	86	129	74	121	113	107	87	86	87	8
Large retailers, clothing and footwear(°)...		"	89	106	92	123	120	113	112	112	110	...

(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	1,215	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	...	...	1,045
1953.....											
February.....	1,533	1,003	3,061	2,081	603	14.6	932	5,288	499	241	987
March.....	1,607	997	3,076	2,313	633	15.5	1,052	5,780	538	311	1,098
April.....	1,402	906	3,244	2,249	682	...	1,020	5,748	531	254	1,064
May.....	1,396	917	...	2,322	...	...	...	...	...	336	1,149

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	985.3
1953												
February	16.9	24.0	6.5	42.7	4.64	145	291	126	97	79.3	353	920.9
March	18.7	25.8	6.5	43.9	6.24	165	328	136	107	88.7	379	990.1
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	4.46	162	...	...	...	...	370	997.9
June	18.8	32.0	7.5	44.4	4.26	...	...	...	...	...	...	969.8

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. £A	mn. C\$	mn. C\$	mn. rupees	mn. rupees	mn. £NZ	mn. £NZ	mn. rupees	mn. rupees	mn. £SA	mn. £SA
1938.....	10.6	11.8	56	71	787	619	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.....												
February.....	41.5	65.0	310	280	399	393	13.99	26.29	114.3	176.8	33.22	29.21
March.....	44.2	90.2	360	313	471	490	14.37	22.23	99.7	155.4	40.09	27.36
April.....	43.3	79.4	...	305	555	388	12.68	26.87	78.6	91.7	37.41	28.22
May.....	44.2	73.3	...	385	574	401	...	...	67.3	113.0	36.01	27.70

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	63	66	35	72	...	68	7
1951.....	1,016	1,795	1,887	127	386	146	118	109	119	99	116	12
1952.....	944	1,862	1,729	120	381	170	121	111	129	101	126	13
1953.....												
February.....	...	1,839	1,760	173	345	175	120	116	132	110	128	13
March.....	...	1,847	1,767	184	347	...	119	118	...	115	128	13
April.....	...	1,848	1,751	200	331	...	119	118	...	114	128	13
May.....	...	1,764	1,740	220	322	177	119	...	...	111	129	13
June.....	...	1,752	1,745	221	...	...	119	...	...	...	...	13

(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) Monthly average of first quarter.

EXCHEQUER RETURNS

For the week ended August 8th there was an "above-line" surplus (after allowing for Sinking Funds) of £29,174,000 compared with a surplus of £33,325,000 in the previous week and a surplus of £18,228,000 in the corresponding period last year bringing the cumulative deficit to £122,024,000 (£183,925,000 in 1952-53). Net expenditure "below-line" absorbed £9,396,000 raising the total cumulative deficit to £300,417,000 (£415,363,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Aug. 9, 1952	April 1, 1953 to Aug. 8, 1953	Week ended Aug. 8, 1952	Week ended Aug. 9, 1953
Ord. Revenue					
Income Tax	1782,250	374,032	343,755	18,617	9,916
Sor. tax	127,000	26,700	26,700	800	800
Death Duties	160,000	55,600	61,500	2,300	2,700
Stamps	52,000	18,450	18,800	900	900
Profits Tax & EPT	214,000	126,400	68,000	14,000	5,600
Excess Profits Levy	99,500	...	19,950	...	2,100
Special Contribution and other Inland Revenue	1,000	700	330	...	...
Total Inland Rev.	2435,750	601,882	539,035	36,617	22,016
Customs	1044,300	362,884	366,191	20,556	11,940
Excise	680,480	264,302	263,915	25,295	37,230
Total Customs and Excise	1724,780	627,186	630,106	45,851	49,170
Motor Duties	69,000	10,805	12,492	2,195	2,405
PG (net receipts)	2,885	...	...	...	...
Broadcast Licences	16,000	3,300	3,900	...	...
Smudgy Loans	25,000	8,630	8,112	2,844	1,511
Miscell.	95,000	31,590	44,474	20	988
Total	4368,215	1283,393	1238,120	87,527	76,090
Ord. Expenditure					
Debt Interest	615,000	174,458	173,868	4,219	4,014
Payments to N. Ireland Exchequer	48,000	13,074	16,632	1,360	1,712
Other Cons. Fund.	10,000	4,124	4,161	...	...
Supply Services	3586,286	1265,700	1155,586	62,700	40,400
Total	4259,286	1457,356	1350,252	68,279	46,126
Sinking Funds	...	9,962	9,892	1,020	790
"Above-line" Surplus or Deficit		183,925	122,024	18,228	29,174
"Below-line" Net Expenditure		231,438	178,393	491	9,396
Total Surplus or Deficit		415,363	300,417	177,377	197,778
Net Receipts (£ mn) from:					
Tax Certificates	32,444	84,377	85,004	2,868	2,868
Savings Certificates	1,300	8,200	300	200	200
Defence Bonds	37,633	24,118	2089	...	...

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Aug. 9	3,040.0	1,403.3	265.4	1.0	4,709.7
1953					
Jan. 16	3,050.0	1,484.2	236.0	...	4,770.2
" 23	3,080.0	1,467.5	247.1	...	4,794.6
" 30	3,100.0	1,440.9	255.1	...	4,796.0
Apr. 6	3,130.0	1,461.9	244.6	0.7	4,837.2
" 13	3,160.0	1,483.0	239.0	...	4,882.0
" 20	3,180.0	1,385.0	277.6	...	4,842.6
" 30	4,597.8		252.3	5.0	4,855.1
May 4	3,170.0	1,438.2	239.8	...	4,848.0
" 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
Jun. 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

THE MONEY MARKET

CREDIT was generally short in Lombard Street in the week covered by Wednesday's Bank return. On Thursday and Friday before the week-end conditions were especially tight, and official help—given mainly indirectly through the banks—was necessary. On Saturday there was some improvement; credit supplies were just adequate without any special assistance. But on each of the first three days of this week the special buyer was again in action; on Wednesday, indeed, some houses were so short of funds that they were forced to part with November bills at 2½ per cent.

The offer at last week's Treasury Bill tender was raised to £260 million; in view of the tight credit supplies the market reduced its bid by 1d. to £99 8s. 2d. This had the effect of raising the average rate of discount by nearly 4d., to £2 7s. 3½d. per cent; the market's "quota" rose from 48 to 56 per cent. At yesterday's tender the offer again rose by £10 million to £270 million; as maturities also rose by this amount, the excess of new bills will remain at £20 million next week.

The Bank return shows a post-holiday reflux of notes of £19 million for the week ended Wednesday last; although there are now £45.9 million of notes in the banking department, the fiduciary issue has not yet been reduced. Government securities held in the banking department fell by £25.4 million—of which £11.6 million was accounted for by the fall in the Treasury special account. Public accounts fell by £8.4 million, while bankers' deposits rose by £11.8 million.

London Money Rates

Bank rate (from 2½% 11/3/52)	4%	Discount rates
Bank bills: 60 days ...	3	Bank bills: 60 days ...
3 months ...	3	3 months ...
6 months ...	3½	6 months ...
Deposits (max)	2	4 months ...
Discount houses ...	2	6 months ...
Money—Day-to-day ...	2-2½	Fine trade bills:
Short periods ...	2-2½	3 months ...
Treasury bills 2 months	2½	4 months ...
3 months	2½	6 months ...

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills the rate is 3½ per cent.

BANK OF ENGLAND RETURNS

	1952		1953	
	Aug. 13	Aug. 5	Aug. 12	
Issue Department:				
Notes in circulation.....	1,493.1	1,598.5	1,579.8	
Notes in banking dept.....	57.2	26.9	45.9	
Govt. debt and securities*	1,546.8	1,621.8	1,620.7	
Other securities.....	0.7	0.7	0.8	
Gold coin and bullion.....	2.9	2.9	2.8	
Banking Department:				
Deposits:				
Public accounts.....	12.4	19.8	11.4	
Treasury special account..	0.5	38.4	26.8	
Bankers.....	262.5	262.2	273.9	
Others.....	65.0	67.8	65.1	
Total.....	340.4	388.2	377.2	
Securities:				
Government.....	265.0	342.3	316.9	
Discounts and advances..	11.8	9.6	7.3	
Other.....	23.3	25.3	23.1	
Total.....	300.1	377.2	347.3	
Banking department reserve.	58.8	29.4	46.3	
%	17.2	7.5	12.8	

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,600 million to £1,625 million on July 29, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1952					
Aug. 8 1953	230.0	295.1	220.0	49 0.41	68
April 2	250.0	322.8	230.0	48 3.93	60
" 10	250.0	357.6	250.0	48 4.20	62
" 17	230.0	360.8	230.0	48 3.51	45
" 24	210.0	330.3	210.0	47 8.04	58
May 1	210.0	351.1	210.0	47 7.37	34
" 8	240.0	347.4	240.0	47 7.83	56
" 15	250.0	345.8	250.0	47 8.01	62
" 22	250.0	343.3	250.0	47 7.94	62
" 29	260.0	346.9	260.0	47 4.01	70
June 5	270.0	339.3	270.0	47 4.52	74
" 12	270.0	353.1	270.0	47 4.26	69
" 19	270.0	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	46 11.66	48
Aug. 7	260.0	369.6	260.0	47 3.50	56

COMPANY MEETINGS

W. H. SMITH & SON
(HOLDINGS) LIMITED

A SATISFACTORY INCREASE IN SALES

THE HON DAVID J. SMITH'S REVIEW OF PROGRESS

The fourth annual general meeting of W. H. Smith & Son (Holdings) Limited was held on August 7th at the Holborn Restaurant, London.

The Hon David John Smith, the chairman, presided and the following is his statement which was circulated with the report and accounts.

I ended my statement last year by saying that I could not hold out any real prospect of a further large increase in sales, especially as it was hoped that the upward trend in prices had been halted. Prices, in fact, have not risen but in spite of this there is a satisfactory increase in sales to be reported in both the retail and wholesale sides of our business. This increase was obtained without any material alteration in stock or debtors.

Once again, however, we have had to face large additional expenses due to further increases in wages and carriage charges. As foreshadowed last year the easier newsprint situation has meant an increase in the average size and weight of daily and weekly newspapers and this factor has an impact on transport costs throughout the business.

Further wage claims have been made on behalf of the staff in our retail branches and those in London who are concerned with the packing and despatch of newspapers, books and stationery.

DEVELOPMENTS

Your directors have been seeking to develop the business during the year by opening new shops at Lewes, Harlow, East Grinstead and Exeter. All these shops show promise and are in towns which have never seen a W. H. Smith & Son shop before. In addition, Bowes & Bowes, the old and world-famous bookshop in Cambridge, has been bought and will continue to run under its old name.

On the wholesale side, one small business Grimsby has been added to one of our existing wholesale houses.

BOOKSTALL CONTRACTS

The main lines bookstall contract with the Railway Executive to which I referred last year has now been signed and the negotiations with the London Transport Executive for the renewal of our contract are in an advanced stage.

OVERSEAS BUSINESS

Export trade has continued to expand and your directors are considering further developments in this important side of the business.

Supplies of books, newspapers and stationery continue to be sent in increasing volume to the shops which serve our forces overseas, and here, again, we anticipate developments in new territories.

Your subsidiary company, W. H. Smith & Son (Canada) Limited has made further progress in sales, though it is not yet making a profit.

ACCOUNTS

The accounts are presented in a more modern form and it is hoped that the shareholders will consider that the change represents an improvement.

The profit shown in the consolidated profit and loss account of W. H. Smith & Son Limited and its subsidiaries, namely £1,802,099 before charging taxation, shows an increase of £45,640. This is after charging the first of certain annual supplementary payments for the benefit of prospective pensioners and also to meet an agreed liability in respect of our new women's superannuation fund.

The total charged for taxation (£1,069,421) shows a decrease of £116,201 compared with the previous year. To a large extent this reflects the change in the rates of profits tax which became effective from January 1, 1952. As against the reduction in profits tax there is an increase in income tax mainly because profits tax is no longer allowed as a deduction in assessing income tax.

After charging taxation, the consolidated net profit for the year amounted to £732,678. We have been able to transfer £443,800 to reserves, including a specific amount of £40,300 to cover the subsequent loss of purchase tax on retail branch stocks arising from the reduction of purchase tax in the April, 1953, budget. The balance of profit carried forward has increased by £7,835 to £194,516.

On referring to the consolidated balance sheet, it will be seen that the total of the capital employed in the business of W. H. Smith & Son Limited and its subsidiaries amounted to £8,304,033 at March 28, 1953, an increase of £576,242.

Fixed assets, comprising properties, plant, motor vehicles, fittings, fixtures, etc., have increased during the year by £83,093 after deducting depreciation charges and sales. The gross capital expenditure during the year under these headings amounted to £303,242. The surplus of current assets over current liabilities and provisions has increased during the year by £438,351.

STAFF

The recruitment of staff for the retail branches is a problem which has given your directors some concern, though the difficulty is not so great in our shops as in our bookstalls. This problem is present in all sections of the distributive trades today owing to the more attractive employment offered by factories and offices where the five-day week is worked. We are, however, tackling this problem realistically, and are obtaining sufficient recruits of a standard to ensure good management in the future.

I should again like to thank the staff for

their loyal and hard work during this past year.

PURCHASE TAX REDUCTIONS

The recent change in the rates of purchase tax referred to above has meant that your company has suffered a loss of £40,300 in marking down prices of stocks on hand upon which purchase tax had already been paid. Under the present system there is no redress. It is to be hoped that the Chancellor of the Exchequer will continue to examine ways and means of correcting this condition.

PROSPECTS

The year 1953-54 has had an encouraging start thanks to the extra sales of Coronation publications and souvenirs. Your directors believe that if the present trends continue the company should enjoy another satisfactory year.

Expenses, unfortunately, always have a tendency to rise, but they are continuously under the careful scrutiny of the board.

The board are pleased to acknowledge the continued support given to the company by the public.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said:

As regards my statement I have one thing to add, which is that I am pleased to be able to tell shareholders that this week the contract between W. H. Smith and Son Limited and the London Transport Executive has been signed and sealed, which means that W. H. Smith and Son Limited will be bookstall contractors for another 21 years to the London Transport Executive.

The report and accounts were adopted.

ST. MARTIN PRESERVING
COMPANY, LIMITED

(Makers of "Chunky" Marmalade)

RECORD SALES

The twenty-fifth annual general meeting of this company was held on August 7th at Maidenhead, Mr P. A. J. Hammett, FCIS, presiding.

The following is an extract from his circulated speech, for the year to March 31, 1953:

The increase of competition in our industry must again be mentioned, for in the past year this feature became more evident. Sales resistance has had the result not only of lowering the national consumption of preserves but of diverting the reduced demand from higher priced varieties to those less expensive. This trend is likely to continue until such time as reductions are possible in the cost of our essential raw materials. It is hoped that the impending decontrol of sugar will eventually result in a reduced price for this commodity.

Your company's speciality, Chunky Marmalade, continues to enjoy the favour of the public and its sales again rose to attain a new all-time record. It has been considered expedient to forge a more positive link between this popular line and the other products of your company. Accordingly, all our jams, etc., will in future be marketed under the Chunky brand. It is believed that this measure will prove of material assistance in furthering expansion of sales. An obvious advantage is that our publicity, which has been centred chiefly on Chunky Marmalade, will now automatically embrace all our products. The report was adopted, and the dividend of 12½ per cent approved.

The Glasgow School
Of Management Studies
ROYAL TECHNICAL COLLEGE, GLASGOW
and
THE GLASGOW AND WEST OF SCOTLAND
COMMERCIAL COLLEGE
Session 1953-54

The School Will Offer The Following FULL-TIME
COURSES of one Session's duration:—

Course in
PERSONNEL MANAGEMENT
Course in
WORKS MANAGEMENT
Course in
BUSINESS ADMINISTRATION

For further particulars apply to the Secretary of either
of the undernoted Colleges.

The Royal Technical College
George Street, Glasgow, W.C.1.

The Glasgow & West of Scotland Commercial College,
Pitt Street, Glasgow, C.2.

Craven

for

Civic

honours



SIR JAMES BARRIE considered that a tin of Craven Tobacco was a far greater award than the freedom of the city. In 'My Lady Nicotine' he said:

"It is a Tobacco that should only be smoked by our greatest men. Were we to present a tin of it to our national heroes, instead of the freedom of the city, they would probably thank us more."

Craven Tobacco is unstinting in its service—mellow, slow-burning, deeply satisfying. Try it—every pipeful will honour you with smoking riches.

Obtainable in three fine blends
Craven Mixture 4/7 oz.
Craven Empire de Luxe Mixture 4/3 oz.
Craven Empire Curly Cut 4/4 oz.

Perhaps you
didn't know that
INTERLAKEN

is the Gateway to the glories of the Bernese Oberland? From Interlaken you can travel comfortably by railroad, ordinary or cog-wheel, to such world famous places as Grindelwald, Mürren, Wengen, or via the Kleine Scheidegg right up to Jungfrau Station and Hotel, both the highest of their kind in the world (11,333 ft. above sea-level).

But everybody
knows

how comforting it is, when travelling abroad, to have the address of a reliable Bank in one's possession. The Interlaken Branch of the Union Bank of Switzerland, will gladly cash your Travellers Cheques, effect payments under your Travellers Letters of Credit and be of service in any other way.

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	2,028,983,815

Cable Address for all Offices and Branches:
BANKUNION

If you want to do business in Latin America— say so in



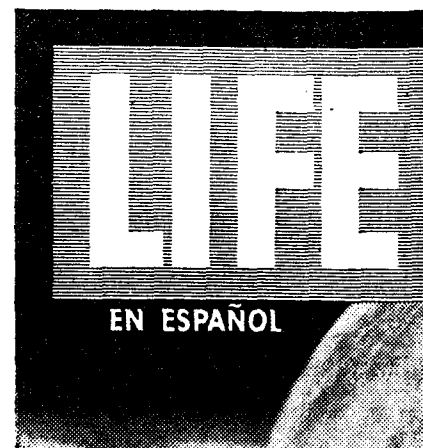
en español

LIFE EN ESPAÑOL—average net paid circulation 200,000-250,000 copies in Spanish, circulating in Central and South America.

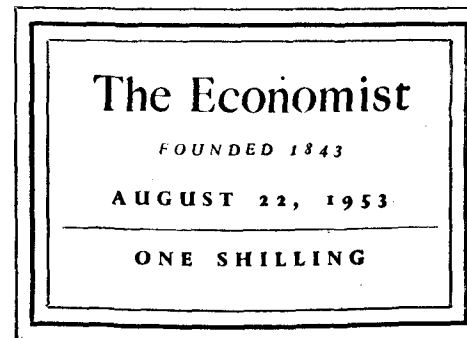
LIFE INTERNATIONAL—average net paid circulation 250,000—300,000 copies in English, circulating in 120 countries outside North America.

These are the INTERNATIONAL EDITIONS of LIFE magazines.

TIME & LIFE BUILDING, NEW BOND STREET, LONDON, W.1



When a new magazine sells on sight, it's a publishing success. When the people who buy it so readily also represent a rich market for goods and services of all kinds, it's an important advertising medium. LIFE EN ESPAÑOL—the Spanish-language edition of LIFE INTERNATIONAL—is both. Since its first appearance in the Spanish-speaking Republics of Latin America last January, every issue has literally sold out on sight. Brilliantly edited by leading Latin American journalists, and with the same consistent picture-appeal of LIFE INTERNATIONAL's English-language edition, LIFE EN ESPAÑOL has a fast-growing circulation among men and women of the higher-salaried business, government and professional communities. These people, with the means to buy and the power to influence the buying of others, can open the markets of Latin America to your company. Once a fortnight, through the advertising pages of LIFE EN ESPAÑOL, you can talk business to them in their own language. The Advertisement Director will be pleased to send you full details.



No and Nyet	487
The Economy of Development	488
Single or Double Korea?	490
Future Weapons	491
No Policy for Morocco	493

NOTES OF THE WEEK

Assembly and Armistice; Shape of a Table; Sir Winston Returns; Morrison versus Greenwood; Nigerian Disagreements; Tables Turned in Persia; The Release of Mr Sanders; France Loses Patience; The Sevenpenny Egg; Full Granaries; Dr Malan's Tactics; Molotov's Dud; Respite for the Copperbelt; Nurses' Quarters; Family Planning in India. 495

BOOKS AND PUBLICATIONS	503
LETTERS TO THE EDITOR	506

AMERICAN SURVEY

Republican Score	509
The Philadelphia Formula	510
Wheat Plays Safe; Budget Operations; Carpenters Saw Themselves Off; More Aid for Age; Oil on the Shelf; Shorter Notes.	

THE WORLD OVERSEAS

Germany's Economy Before the Elections	515
France's Economic Ills; Epitaph for Planners; Indonesian Political Roundabouts; The Defence of Sweden.	

THE BUSINESS WORLD

Parliament and the Boards	523
Switching in Canadians	525

BUSINESS NOTES

No Currency Inflation; Two Prices for British Wheat; Merging Tractors; Coronation Sales; Productivity in Small Packets; The Navy's Aircraft Troubles; Whisky Profits Diluted; Hard Sterling for Japan; Tug-of-War in Coffee; More Price Falls in Materials; Changed Pattern of Trade; Freer Dutch Exchanges; Dispersal for Aircraft Designers?; Quiet Freight Markets; Shorter Notes.	527
---	-----

COMPANY NOTES AND SECURITY

PRICES	536
STATISTICS	539

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

No and Nyet

MR VYSHINSKY, who for six years was unchallenged holder of the title of the world's leading *nyet*-man, has returned to New York a creature of smiles and soap. The Russians are throwing caviare parties in Vienna, offering roubles to Uno and talking about another tour by the Dynamos. However unchanged the basic Soviet aims may be, Malenkov has jettisoned one of Stalinism's most salient characteristics—its surly rigidity. The tactical advantages to Moscow of this move are obvious. What is not at all obvious is the reasoning behind some recent American actions of an exactly contrary character. Such public pronouncements as those of Senator Knowland and Mr Lodge regarding the Chinese seat in Uno and the composition of the imminent conference on Korea would seem nicely calculated to transfer to the United States the reputation for mulishness that has so long—and so rightly—been enjoyed by the Soviet Union.

Every allowance must be made for the mood of angry frustration created in America by the Korean casualty lists, and by the obduracy in negotiation of a Communist China seemingly free to give armed defiance to the United Nations without risk to its own person. The world must remember both the American mood and its own debt; but neither of these things requires America's friends to be silent when their ally appears to be making grave tactical errors that prejudice the very cause for which it has given so much.

It is bad tactics to fall out with one's friends publicly over essentially procedural matters on the very eve of a meeting with one's opponents. It is bad tactics to define one's intentions too strictly in advance—in effect, to tear up good cards before playing the hand. (Week by recent week, this journal has been preaching this doctrine in a British context; but it applies to American policy with equal force.) Above all, in the present international atmosphere it is bad tactics to present oneself as the less reasonable party. Mr Eisenhower has allowed his subordinates to commit all these errors, apparently in the name of firmness. Yet firmness need not imply a clumsy rigidity; one has only to look to Moscow to see that. Still less does firmness necessitate clinging to strict logic for its own sake. There is, for instance, no visible logic in the suggestion that India should take part in the Korean conference; but the practical advantages leap to the eye.

Moreover, if firmness is still one of the tenets to which the West must cling, unity is still the other. Malenkov has now quite blatantly announced his plans for splitting the alliance of free nations that Stalin brought together. If the West can muster enough finesse, it may yet be able not only to survive this diplomatic offensive, but also to turn it back upon its opponents; the events of this summer have revealed cracks in the "monolithic" structure of the Communist bloc. But little progress in this direction can be expected while western policies remain dominated by puritanical logic and bull-headed pride. Mr Dulles might do worse than to glance through Mao Tse-tung's famous apologia for inconsistency, *On Practice*.

The Economy of Development

THERE is practically universal agreement that the "backward" or "under-developed" countries of the world (no one has discovered a really satisfactory alternative to these invidious and question-begging epithets) need to be helped along the path of economic progress much faster than in the past. The speed-up is needed, as a matter of sheer humanity, because in its absence a great many people, already uncomfortably underfed, will certainly starve; it is needed, as a matter of hard-headed Western economic interests, in order to maintain and enlarge the world market in which the West buys and sells; it is needed, on political grounds, because the combination of increasing hunger and increasing awareness of Western standards is politically explosive and would be so even were Communism entirely uninterested in exploiting it. So much is common form, though the emphasis—humanitarian, economic, strategic—varies with temperaments and opinions. The special agencies of the United Nations, the Point Four programme, the Colombo Plan, the schemes administered under the Colonial Development and Welfare Act, testify to this general agreement. No one, however, is really satisfied either with their achievements to date or with their prospects; and a flood of reports, pamphlets and books incessantly presses on Western opinion the case for more speed, for more resources, for a greater sense of urgency and for a more generous willingness to make short-term sacrifices. The latest of these, Mr Harold Wilson's "The War on World Poverty,"* is considerably more than an expanded version of his pamphlet "War on Want" published last year; but the leading ideas are the same, and they are sufficiently typical of "progressive" thought to deserve re-examination.

The driving force of the argument is moral, an affirmation of unqualified human solidarity. Whether Mr Wilson really believes, and will advocate, that all improvement in Western standards should cease until every last Bedouin, Eskimo, or Malay has caught up with them, or whether perhaps his morality goes even further and demands a thoroughgoing "soak-the-rich" policy among the nations until equality has been attained, is not an entirely frivolous question; but fortunately it is not a practical one either. His assumptions, stated and unstated, can be roughly listed as follows: Experts, home-grown or imported, can always tell what a backward territory needs and draw up appropriate plans of development into which all public, cooperative or private ventures, on every scale, can subsequently be fitted. There is no need to worry about the capacity of these developments to generate, whether directly or indirectly, enough revenue for their own maintenance.

* "The War on World Poverty." By the Rt. Hon. Harold Wilson, MP. Gollancz. 227 pages. 14s.

There is no lack either of the goods, or of the appropriate manpower, needed for the putting into effect of such plans, nor yet of people capable of teaching their beneficiaries how to run them and use them; all that is needed is the will to divert them (by the provision of adequate funds) in proper quantities to their proper work. Western obsession with global war, which now keeps these human and material resources busy on defence, is quite unnecessary; if only Russia were tactfully reassured—and given an earnest of good intentions in the shape, yet once more, of unilateral disarmament—it would cease from troubling and probably rejoin the human family. And finally, private enterprise cannot be trusted, except in quite minor matters, an inch; nor can colonial powers—unless, at least, they have reliably Socialist governments.

Against this background of sentimentality (sentimentality has been defined as refusal to face the implications of one's emotions), of wishful thinking, and of what may be called aggregate-mindedness, Mr Wilson provides a good deal of useful statistical information, a compendious history of the various agencies of development, and, case by case, a succession of well-argued pleas for steadier and more generous support for particular projects of proven worth. He is, moreover, well aware that whatever the West can do for the people of the backward regions must, if it is to be of lasting value, also be done through and with those people themselves. But this awareness, with all that it implies concerning the scale and tempo of progress, does nothing to shake his belief that the West has only to turn on the tap of capital investment in order to produce revolutionary improvements in double-quick time. Generosity, will-power and a peaceable disposition are, in fact, all that is needed.

★

These views are challenged, in a dry, hard-headed and to some people maddeningly academic manner, in Professor S. H. Frankel's "The Economic Impact on Under-developed Societies,"* a collection of essays (some of which have already appeared in pamphlet form and been noticed in *The Economist*) dealing for the most part with just these basic assumptions which Mr Wilson and progressive opinion generally take for granted. Professor Frankel refuses to attach any absolute meaning to international comparisons of riches and poverty measured in money units; what matters is the "real pattern of welfare," whose ingredients vary from society to society too widely for any common accounting symbolism. (The "income" of the desert

* "The Economic Impact on Under-developed Societies." By S. H. Frankel. Basil Blackwell. 179 pages. 15s.

Bedouin is a fraction of the "income" of a suburban clerk; it does not follow that in the Bedouin's own view, which is what matters, his welfare is correspondingly inferior).

Similarly, Professor Frankel attacks the assumption that "capital" in any useful sense can be identified with ledger entries, or even with tons of steel and miles of highway. Capital is as capital does, and capital can do nothing except in the hands of people who use it, maintain it, replace it, and consume its products. Use, maintenance, replacement, consumption, must all fall into place as part of the wider complex of economic activity, which again depends, in a rapidly developing community, on "painfully created new aptitudes for action and responsibility." Economic development on any scale whatever is, inseparably and identically, social and political transformation—which can neither be neatly summed up in statistical magnitudes by experts nor centrally planned by Governments and international agencies. Nine-tenths of Mr Wilson's book would, one concludes, be either nonsense or sheer anathema to Professor Frankel, even were his opinions about the competing urgency of defence needs as happily ostrich-like as Mr Wilson's own.

The conflict is not between progressive and reactionary, between generous friends and would-be stand-pat exploiters of the backward peoples, between optimist and pessimist, positive and negative. It is rather akin to the difference between the attitudes of the engineer and the biologist. For Mr Wilson, and that large body of generous-minded and compassionate people for whom he speaks, economic development is, paradoxically, something to be tackled as an engineer tackles the construction of a machine, or ten machines, or ten thousand machines. Let the prototype have proved itself, the blueprints, materials and technical skill be available, and all that is needed is the will to go to it and stick at it till the job is done. For Professor Frankel it is much more like a plant growing, cell by cell, according to the laws of its own nature. Husbandry can do a great deal for it, tending, grafting, transplanting; but always within the limits set by the plant's origins and by the ecological environment, limits which no well-intentioned exertions of willpower can alter. (One can indeed set plants growing, exorbitantly and regardless of their natural metabolism, by pouring hormone solutions on them. This is, as every modern owner of a lawn is well aware, the quickest way of killing them.)

★

What with the cold war and what with the unwillingness of the West—even of America, let alone Britain with its perennially precarious balance of payments—to commit itself in practice to a diversion of resources in anything like the amounts needed even on the most conservative estimate, there is perhaps little danger of large-scale killing-by-kindness. But it is all the more important that such resources as are diverted should go

to the right places, be embodied in the right things, and be integrated into their social setting in the right way; that they should not be grandiosely wasted in the groundnut manner, fribbled away in international boondoggling, sunk in projects destined to be a burden rather than a support to the communities concerned, assigned to the brash and glib-tongued builders of mere façades, or, for that matter, used to sweeten prospective Mossadeghs until such time as they are ready to cut off their countrymen's nose to spite the West's face.

It has been shown—and here Professor Frankel and Mr. Wilson are entirely at one—that the combination of self-help and tactfully supplied technical aid can make a very little capital work like the leaven of Scripture. At the other end of the size-range there are numbers of projects—in irrigation, flood control, transport—far beyond the scope of private enterprise or a village's mutual aid, but just as unmistakably filling a felt want, an identifiable gap in the framework of general economic activity. The essential is that capital, whether in large doses or small, whether in the form of credits or of free grants, should be sucked in rather than pumped in. Injections of capital are unlikely to do much good unless the community is already capital-minded. National governments can, of course, generally be relied on to suck with all their might; but that is not the point. It is the project itself, the demand for its benefits, the availability of willing hands and organising heads to use the capital applied, which should exert the effective pull. As Sir Keith Hancock once said, the question to ask in trying to assess a community's capacity for development is what it does with its own savings.

The sceptics and the optimists are unlikely ever to be completely reconciled, but at least in the conditions of cold war their agreement on priorities is more important than their disagreement over what is ideally desirable. Concentration on priorities is, indeed, almost as important politically as it is economically. There has already been far too much impulsive prophecy of pie in the sky, followed by precipitate back-tracking in face of a dearer reckoning of costs or a shift in political weather; and it has not always been the least fruitful, the most nebulous or marginal projects which have suffered. Nor would any concealment of economic realities behind the façade of an independent World Development Authority, such as Mr Wilson ambitiously advocates, do away with the power of individual Western states to reconsider policies and pledges of which their electors no longer approved. To undertake, and above all to promise, no more than can be certainly performed is the most elementary political wisdom. Nothing could play into Communist hands more effectively, or be for that matter more irresponsibly immoral, than a stop-and-go policy which would fill every backward territory with fragmentary "folies" to serve as reminders of hollow Western pride and broken Western faith. Hunger has been called the strongest ally of Communism; but a stronger ally even than hunger is disillusionment.

Single or Double Korea?

IN the Korean situation there are two facts; one is South Korea and the other is North Korea. Each is an organised state with its own government, administration, army and police, controlling a clearly defined territory; the boundary between the two areas is the neutral buffer zone established by the armistice along the former fighting front. Three years of war have left Korea divided as it was at the outset by roughly the same line of demarcation, with the barrier of mutual distrust and hatred reinforced by a prolonged period of bitter and ferocious struggle. It is from this situation that an international political conference is now expected to produce Korean unity. What are the prospects of success?

Normally, if two belligerents fight each other to a standstill in a dispute over territory and neither gains decisive victory in the field, it is assumed that neither side will yield at the conference table what it has held in battle. The task of the peace conference is then simply to fix an agreed frontier on the basis of the military situation at the close of hostilities. The war in Korea, however, has never been about territory. The governments of both South and North Korea have always each claimed to be the only legitimate government of the whole of Korea; indeed, the claim of the former has been endorsed by the United Nations to the extent that the South Korean government was set up after elections held under United Nations supervision, whereas North Korea refused to have anything to do with these elections. When the North Koreans crossed the thirty-eighth parallel in June, 1950, the invasion was designed to unify the whole of Korea under Communist rule. The Security Council authorised military aid to South Korea as against an external attack across a frontier; but the Assembly, after the rout of the North Korean army, instructed the United Nations Command to establish conditions of order "throughout Korea"—in other words, to carry out a military occupation of North Korea—as a preliminary to new elections.

Chinese intervention then threw the United Nations forces back again to the south, and the battle front has remained for two years in the neighbourhood of the thirty-eighth parallel. Thus both the Communist attempt to capture South Korea and the United Nations attempt to capture North Korea were equally thwarted. Unification, however, continues to be the watchword; only now it is to be attained somehow by diplomacy after force has failed. Unification, at any rate, is what Mr Dulles says he will demand. Mr Butler has told the House of Commons that this is also the aim of British policy, though he cautiously added that there might first have to be a temporary *modus vivendi*.

The unification of these two actually existing states can now come about only by their voluntary fusion or by the imposition on them of a settlement reached by

the great powers. Their voluntary fusion, after all that has happened in the peninsula, hardly seems within the bounds of possibility. What then are the prospects of an agreement between the great powers for unifying the country? The United Nations majority, including Britain and America, have always conceived unification as meaning that free elections should be held in the whole of Korea under the supervision of a neutral commission in order to produce a parliament and government representing the entire Korean people.

The Communist view of the matter is different. According to Mr Malenkov's last utterance, the war has been an attack on "the Korean people" by American "interventionists" aided by "hirelings of the Syngman Rhee clique," but the Korean people, aided by "volunteers" from China, has beaten back the attack. It would be too much to expect Mr Malenkov to give a more truthful account of what has happened in Korea, but the significant aspect of his speech is that it gives no indication that the Soviet Union will accept South Korea as a political entity on the same level as North Korea in negotiations for their union. The Russian attitude is that the Korean people as a whole is already represented by the so-called Korean Democratic Republic, even though the latter may be for the time being confined territorially by the violence of foreign "interventionists."

★

It would, therefore, be astonishing indeed if the Communists, being in absolute control of half of Korea, were to hazard what they already hold by agreeing to really free elections for the whole country. In Germany, where the practical problems of holding free elections would be infinitely easier than in Korea (which has had no previous tradition or experience of democratic government), the western powers have been trying long enough to get the Russians to discuss schemes for free elections, but they have preferred, and still prefer, to evade the issue. Similarly, it is unlikely that either Peking or Moscow can contemplate loosening the hold of Communism in Korea except on conditions which would involve virtual certainty of getting control of all Korea. After all, one bird in the hand is worth two in a very unpromising bush.

On its merits, the case for Korean unity is overwhelming. The Koreans are ethnically and culturally one people; they have formed a single kingdom for over a millenium, and even when they were annexed by Japan, their country was administered as a single unit under a governor-general. There is no real natural frontier dividing the country, and the distribution of economic resources, with the best agricultural land in the south and the principal mineral deposits in the

north, demands unity. The general sentiment of the Koreans aspires to a united national state. If it had been a long-established sovereign state and had been left to itself, the internal conflict might well have worked itself out through war, with one side or the other finally gaining control over the whole country. But this could not have happened in the situation that existed there at the end of 1945. When Japan surrendered, Korea was not a state at all, and there were no Koreans with experience of government or higher administration. The great powers which had liberated the country had to create the necessary conditions for orderly self-government. Unfortunately the two occupying powers strove to establish, each in its own sphere, two incompatible political systems which must inevitably collide when the forces of the protecting powers were withdrawn.

★

In each case, however, the sponsor continued to have a strong interest in the maintenance, if not in the expansion, of its own system. It was not only that the two halves of Korea represented the two sides of the universal cold war of the present-day world, and that the destruction of either of the two rival regimes would be a great blow to the prestige of its promoter. Important strategic considerations were also involved. On the mainland Korea is the gateway to Manchuria, and the Chinese do not forget that Japanese armies have crossed the Yalu from Korea three times in the last sixty years. But the argument is reversible. Southern Korea also fronts on the straits opposite Japan, and could be the springboard for attack on it if it came under the control of a major continental Asian power. In a time of full

peace it would be sufficient for the security of both China and Japan that Korea should be a neutral buffer state. But in a period of high tension, with Korea torn by bitterly opposed factions backed from abroad, the maximum security for both is provided by a situation in which the North is held by a government allied with China and South Korea by a government allied with the United States as the guardian of a disarmed Japan. In other words, by just the situation which actually exists.

Both sides, however, are bound to demand the unification of Korea. There will be perfect unanimity of view that Korea ought to be unified. It is only when the delegates at the conference get down to discussing the conditions of unification that the stonewalling will begin. Instead of the ninety days of which Mr Dulles has spoken, it would be better to prepare for ninety weeks, ninety months or ninety years.

Each side, of course, will place on the other the blame for preventing the unification of Korea. Meanwhile, the two Korean states can carry on just as they are now, with a healthy rivalry between the two camps to see which can spend the more money on the economic rehabilitation of its *protégé*. United Nations plans for large-scale expenditure in restoring the country have now been countered by Mr Malenkov's proposals to spend 1,000 million roubles of Russian money to "help the Korean people to heal the serious wounds inflicted by war." This kind of competition will be much nicer for the Koreans than the way money has been spent on them over the last three years. And if everyone is quite clear that another outbreak in Korea will mean a general war, a new breach of the peace there will be improbable. Korea may thus be peaceful, even though divided. Its division is deplorable, but the cold war is even more deplorable; as long as there are two worlds, it may be just as well that there should be two Koreas.

Future Weapons

ATOMIC weapons have, for the time being, been put in their place. After nearly a decade of often very wild speculation about what might be done with them on and around the battlefield, there is now emerging a view which is matter of fact, restrained and dispenses some illusions. It was expressed by the Chief of the Imperial General Staff himself last week, after an exercise at the Staff College, Camberley, during which British, American and Commonwealth officers studied the application of atomic firepower to land-air operations overseas. He and his advisers have, no great opinion of the American atomic cannon, limited in range and cumbrous to move; they do not expect to see the tactical fighter-bomber able to drop atomic missiles at crucial points in the enemy's array; the use of the strategic bomber and its load on the battlefield would be costly and perhaps wasteful—it would be better to direct it against airfields and communications.

In short, the view seems to be that Britain has been well advised to concentrate its attention at the Woomera ranges on developing the remaining possibility, a mobile and relatively cheap guided weapon or steerable rocket, which would provide genuine atomic artillery for long-range bombardment to the commander of an army or army group. If it were available in numbers at the right time and place it would provide just the answer to mass attack by men and vehicles that the allies in Western Europe might need. It could have important effects on the future strategy of European defence.

But these are not practical possibilities either for tomorrow or the next day. The guided missile for the artillery (ground to ground) will first have to compete for scarce fissile materials, for intricate equipment from a limited electronics industry, and for productive capacity with other atomic weapons—for example, with

the guided weapon with conventional warhead for anti-aircraft defence (ground to air) and with the weapon that will displace perhaps in the early sixties the fighter aircraft. It has to compete, too, for research facilities and materials with the claims of industry and power production, for the peace-time possibilities of atomic energy are no less important for Britain than its uses in war. It was revealed at Camberley that Lord Cherwell (the Prime Minister's right-hand man in these matters) had told the War Office that it would have to make a very strong case to obtain a share of fissile material. Among the priorities established for the use of fissile material and electronic equipment the strengthening of the British Army's fire power is not among the first.

Sir John Harding said that no firm decision had yet been taken in Britain about the most economical way of using fissile material in war. This statement might be welcomed as a sign that minds are being kept open for entirely new developments and that the programme of atomic weapons is to be highly flexible. But there is every sign that there already exists a production programme to provide the RAF's faster and higher-flying Vulcans, Valiants and Victors with atomic bomb loads. Indeed, there is good reason to believe that the long-range strategic atom bomber is becoming the backbone of this country's defence forces, as it is already the basis of American strategy. If that is so, then the Air Ministry has established a claim on scarce fissile materials that it will be hard to shake in the future; and a view has been taken of Britain's military role in the Atlantic alliance that will also be hard to shake. This view appears to be that the best way to defend these islands and the approaches to them is to provide the maximum deterrent to an aggressive enemy; that deterrent is to be a force of long-range bombers, flying so fast and high from various directions that no practicable system of radar warning and fighter interception can prevent some of them inflicting crippling damage. That is to say, the bombers can be relied on to get through for just so long as a potential enemy has not mastered the art of intercepting them by guided weapons capable of superhuman speed of climb and accuracy. Once he has done so, then it is only a question of time before the strategic bomber is obsolescent and replaced by the guided weapon.

★

Here can be seen in miniature the kind of decision that faces governments and their military and scientific advisers on the threshold of the atomic age. With limited resources in research, productive capacity and raw materials—to say nothing of money—they have to decide just how far ahead they can back the strategic bomber as an atomic weapon when they are simultaneously developing the guided weapon that will one day make it obsolescent. It will do so not only by increasing immensely the range and accuracy of what is now called fighter and anti-aircraft defence but also

by offering an alternative way of attacking an enemy with atomic explosive. In that sense the guided weapon might be expected eventually to provide cheaper and more flexible methods of defence that would give an advanced industrial nation great advantages over others; but in another sense it complicates the problems of defence by making the main arm dependent on a few key installations, a select band of technicians and scarce raw and manufactured materials. It is not difficult to imagine the difficulties that present themselves: the fighting man asking the scientist and the manufacturer for precise dates and performances; the manufacturer asking for guarantees of priority and stable orders; the official and the minister trying to hold the balance between military and civil claims on atomic and electronic know-how, knowing that ultimately their decisions will have an important impact on the national economy.

Against such a background, much of it secret and highly technical, it is not easy for the layman to judge whether great hopes should or should not be set on the tactical atomic weapon in the hands of the army—that is to say of the artillery. Until more is known it would be wise to be sceptical of all talk about a tactical revolution and a restoration of the balance of military power in Central Europe. It cannot just be assumed that the Soviet Union has not or will not have the same hopes. On the other hand, it is clearly desirable, now that the tactical effects of atomic bombing are known, that there should be careful and imaginative study of future possibilities: it will be necessary to make divisions more mobile, to make their essential vehicles less dependent on road systems which turn them into ideal targets, to study such possibilities as the replacement of motor by air transport, with the helicopter taking the place of the truck, perhaps to reconsider present prejudices against fortification as a means of forcing an attacking enemy to concentrate and present a target. These are all highly professional matters, even though they make their impact on the whole population.

★

Where the layman has, or could have, something to say, is in the politics of defence. In the past the bugbear of chiefs of staff in democratic countries has been the chopping and changing of plans that has occurred with changing governments and shifting policies; in this country it has in the past severely hampered the design of weapons, the continuity of research and the maintenance of production potential. It is quite clear that any repetition of such waverings in the years ahead would have costly and dangerous results. If the necessary human and material resources are to be available for research and experiment there must be confidence among scientists and in industry that they will receive continuous as well as adequate government backing—and in this field the government is, inevitably, the only employer. If production is to be

economically planned and the fighting services are to adapt themselves efficiently to new demands, then priorities must be decided and programmes adhered to. Above all—and this point has been argued before in these columns—there has to be a happier and more efficient partnership between the Ministry of Supply and industry than exists today. If these are the conditions to be met before Britain can be certain of maintaining the position it has won in competition with the United States—a healthy and desirable competition, be it said—there would seem to be a case for considering whether the two great political parties should not take, or try to take, an agreed view of atomic develop-

No Policy for Morocco

PASHA OF MARRAKECH *versus* Sultan in Rabat; Berber *versus* Arab; diehard *versus* progressive—Paris would have reason to be thankful if the confusion which reigned last weekend in Morocco were explicable in these simple terms. It could even congratulate itself if the clash were one in which it could stand aside or, better still, play the role of disinterested arbiter. But the French Government can claim no such immunity. If El Glaoui, the Pasha of Marrakech, attempts, as he did last weekend, to depose the Sultan of Morocco, France has serious responsibilities in the matter. It is implicated, first, because the treaty establishing its protectorate over Morocco binds it to lend all support to the Sultan; secondly, because its perfectionist policy of maintaining a centralised administration, run by Frenchmen, places it in a position to check such moves if it has a mind to do so; thirdly, because the Pasha would not have taken the steps he has taken over recent months had he not good reasons to believe that he had French approval. These reasons came to him from a divided France, and—what is worse—from within a divided corps of French administrators in Morocco. France's claim to detachment and wholly clean hands was forfeited when its Resident-General, General Guillaume, was instructed to use the Sultan's plight to extract from him transfers of power that some Frenchmen have long coveted and that were otherwise unattainable. Certain members of M. Laniel's cabinet—M. Faure, M. Mitterand, M. Reynaud, M. Pleven and, it is said, M. Bidault himself—were known to think this autumn a propitious moment for resuming negotiations with both Morocco and Tunisia. Its fumbling last weekend, to remedy a situation that it had allowed to lapse into a bad business, has rendered that prospect dim.

The background to the quarrel is less a difference between the Sultan and the Glaoui than one between the Sultan and Frenchmen. The Glaoui, as will be seen, comes into the picture largely as an appendage of the latter. The difference between the Sultan and the French would seem to be insoluble on one point

ment. It is carrying both security and partisanship too far when the government of the day conceals from the leader of the Opposition the fact that a decisive twist in the economic and defence policy of the country has been given by some decision in the atomic field. Too much power is given to too few ministers and too little thought is given to the fact that within a decade the guided weapon, the pilotless aircraft and the atomic power station may be normal features of life. The more that is revealed of the ramifications of this great technical revolution, the clearer it becomes that some form of public corporation for the control of atomic power is urgently needed.

only, but that point is fundamental. It is disagreement over the role that the French community, now over 450,000 strong, is to play in the elected institutions of the future—municipalities, joint bodies responsible for finance, and, ultimately, a Moroccan assembly. Are French residents to perform there as citizens vested with rights equal to those of Moroccan-born Moslems? This is what they wish to do on the basis of their justifiable claim that it is their enterprise, and the investment they have attracted, that have in forty years transformed the protectorate from a mediæval backwater into a modern land of promise. Or are they, as the Sultan would wish, merely to enjoy some protected status, fixed by negotiation, within an independent Moslem state?

This vexed question raises the issue of "co-sovereignty" that is the main bone of contention also in Tunisia. But in Morocco the controversy has for more than one reason a more acid flavour. In the first place, there are far fewer contacts between Moroccans and Frenchmen; the former are more withdrawn than the Tunisians, and, in Morocco, far too many local Frenchmen are newcomers simply out to make money or avoid home taxation, and behave as if the Moroccans were not there. Secondly, the very configuration of the territory has tended to drive the Sultan into agreement with the ultra-nationalists. About seventy per cent of its population consists of Berber elements over whose chieftains his forebears had no control. Since the protectorate, the French security authorities have, in the interests of keeping peace and quiet at low cost, maintained this framework of semi-autonomous vassals. They have superimposed a centralised administration but not destroyed the ancient pattern; the Sultan, fearing isolation, has therefore naturally, if unwisely, gravitated towards the independence parties of the cities of the Arab plain that is his home. He agrees with them on wanting complete independence, but differs on the pace at which this is to be attained. He is for, and the *Istiqlal* (independence) party is against, seeking it by stages negotiated with France.

But all his attempts to reach agreement on interdependence have been dominated by the co-sovereignty obstacle. Meanwhile, the French method of dealing with nationalist claims has varied with varying governments. In 1950 and 1951, Marshal Juin—then Resident-General—ordered the Sultan to denounce the *Istiqlal* or else to abdicate and, to reinforce his case, covertly encouraged a Berber march on Fez and Rabat. In 1951, the more light-handed M. Robert Schuman thwarted the nationalist attempt to enlist support at the United Nations by promising that negotiations were just round the corner. In December, 1952, General Guillaume seized the occasion of serious riots in Casablanca to exile the bulk of the nationalist leaders.

★

Meantime, the quarrel between Sultan and Glaoui was developing. It began, in 1950, with unsolicited advice from the latter not to rely so much upon townee supporters. High words passed, and the Sultan forbade the Glaoui access to the palace. Then, largely in press interviews, the Glaoui expanded his theme into indictments of pampering the left wing, "flirting with Communism" and encouraging the forces of irreligion in a way that was unsuitable in the nation's religious leader. In May of this year, the Glaoui obtained the signatures of 270 caids and pashas, by no means all of them Berber, to a protest on these counts and a claim that the Sultan should be deposed and deprived of his role of *imam*, or commander of the faithful. Other pashas and religious authorities deposited counter-claims and the Sultan, in communicating with Paris, invoked the clause in the protectorate treaty that promises him support. Many factions of French opinion were delighted at this turn of events—some because they prefer the Glaoui, who is a multi-millionaire closely linked to French business interests, and a diehard who freely declares his attachment to France, others because they saw in the Sultan's plight a chance to negotiate future arrangements in conditions favourable to themselves.

But they reckoned without the pace of developments. The Glaoui went to Europe for a summer holiday, and received a strong fillip from Marshal Juin and other supporters. Thus fortified, he hustled back to Morocco long before he was expected, and summoned to Marrakech the great conclave of notables that met there last weekend. From the premature publication of a newspaper article, it is clear that he intended to proclaim as Sultan the uncle of the present ruler, a mild old man whose mother was a Glaoui. The religious aspect of the quarrel was now enhanced in that El Kittani, leader of one of North Africa's great but unorthodox, saint-worshipping brotherhoods, backed the Glaoui, whereas orthodox religious leaders favour the Sultan. But the plan for deposition fell flat.

M. Laniel's cabinet, beset with the strikes at home and scenting more trouble than it had time to handle, had snatched General Guillaume from holiday and sent him post haste to Rabat with instructions to stop the

Glaoui yet simultaneously to extract agreement from the Sultan to various structural changes long desired by Frenchmen. He succeeded only too well. After surrounding the palace with troops, in less than a quarter of an hour he secured the Sultan's agreement to delegating both his legislative and his executive powers to committees presided over by his Grand Vizier (who is over 100) but largely composed of Frenchmen, and to promising to permit no foreign—that is, United Nations—intervention in Moroccan affairs. On Friday, General Guillaume descended on Marrakech to call off the Glaoui and his conclave, since all was "settled." This was true, but all was not settled as they would have wished. The Glaoui, who had been given by French officials every reason to believe that he was doing what pleased France, was obliged to save his face by announcing merely that the Sultan had forfeited his right to spiritual leadership.

What is the balance sheet of these confusing events? Divide and rule is an age-old policy, and French diehards may claim that it has triumphed again. But there are many signs that, this time, it has let division go too far. It has left on France's hands a browbeaten and resentful Sultan, a discomfited Glaoui, an *Istiqlal* farther from its target than ever before, clashes and murders in the main cities, a religious quarrel in the open, and no Moroccan faction of importance on which to build future policy. Do many Frenchmen seriously believe that they can educate young Moroccans in the ways of democracy and simultaneously stop the march of time in Africa? Or that they can permanently save French residents from the aspirations of the proletariat they have created by backing elderly feudalists like the Glaoui? Or that they can rule by *force majeure* a territory that contains five Nato bases run by the United States Air Force?

But the most serious aspect of the weekend's events is the flaw that it reveals in French machinery for handling the protectorates; it shows that these can, as they stand, far too easily become a stamping ground for the predilections of French officials. In the preface to a recent and most interesting special number of the periodical *La Nef* on the problem of the protectorates, M. Robert Schuman describes the impotence of a Foreign Minister *vis-à-vis* the officials on the spot owing to the shackles imposed on him by a divided cabinet and by a parliament which, vacillating between liberalism and the settler's die-hard lobby, can make up its mind only what not to do. Under the heading "Need for a policy" he wrote as follows:—

If we are to achieve a coherent and effective North African policy, we must begin by revising the administrative and political structure of the French services in the protectorate. . . . I am now convinced that no reform of value in the relationship between France and Morocco or Tunisia can be attained without a return to precise conceptions of responsibility and without subordination to a proper hierarchy.

The events of last weekend prove him disastrously right.

Notes of the Week

Assembly and Armistice

THE new act in the Korean drama is now unfolding on two separate stages, each far removed from the other. In Korea itself, the cease-fire has become an established reality and immediate attention is focused on the continuing exchange of prisoners at Panmunjom. Here, while some of the returning soldiers have grim stories to tell and there are grounds for serious misgiving in the reports that many prisoners are still unaccounted for, visible progress is at least being made. Day by day the jealously limited quotas come south through the "freedom gate"; the truce machinery is working up through the lower gears to normal running speed; the Indian contingents entrusted with the delicate task of watching over prisoners who refuse northward repatriation have begun their journey to Korea. Half of this stage remains, indeed, shrouded in darkness. The "trials" and "confessions" of North Korean leaders reported in such massive and unrevealing detail from Pyongyang only deepen the mystery as to what is really going on in the north. For that matter, Mr Rhee continues to play the difficult role of a highly articulate enigma. But, within the strict limits set by the armistice terms, what can be done in Korea is in fact being done with remarkably little fuss.

The New York stage provides a pointed contrast. There, the immediate task ought to have proved a relatively simple one. The special session of the United Nations Assembly was not asked to do more than agree on a site for a Korean peace conference and nominate negotiators. It was unavoidable that the cumbrous mechanism of Uno's supreme representative body should be brought out to perform this task; for the Korean war was a United Nations war, and the Security Council, the less massive organ which was assigned to this kind of duty in the original blueprints of 1945, has been reduced to impotence—indeed, made almost extinct—by Russian obstruction. But was it unavoidable that so much sound and fury should be generated in the performance of a carefully limited, and primarily procedural, function? Whatever the exact outcome, one result must be a loss of prestige not only for the organisation itself, but also for the nations that have carried its flag into battle for the first time.

Shape of a Table

WHAT is really involved in the choice of a team for the Korean conference? The tone of some commentators suggests that it is almost a social problem,

like that of a hostess making up an awkward dinner party. Others attribute importance to precedent and protocol. But the conference will not be a diplomatic reception. It will be, one hopes, a businesslike session in which the haggling should be curbed by awareness that—as an article on page 490 shows—no truly comprehensive settlement is possible at this stage. Disputations about whether the United Nations has here the role of belligerent or of conciliator are thus irrelevant. In this context, Uno's chief responsibility is to endorse the end of the conflict as it endorsed its beginning.

Mercifully, all parties seem agreed that this endorsement does not require the attendance of all sixty UN members at the conference. But there is no doubt that the presence of India, not so much in its individual capacity but rather as representing non-Communist Asia, would close an obvious gap. India, moreover, has been allotted an important practical task in the armistice agreement, a task that has already brought its envoys into working relationship with both sides. Without exaggerating the effectiveness of India's contacts with Peking, there is clearly a very strong case for enlisting its tactfully offered services in a delicate operation.

Sir Winston Returns

BY presiding over a Cabinet meeting on Tuesday for the first time for nearly eight weeks Sir Winston Churchill has presumably given tacit notice that he is back in charge of affairs. He had, however, already made this fairly obvious through the statement that emerged from 10, Downing Street on August 14th on the subject of the sixteen nations' declaration on Korea. That statement bore all the marks of Sir Winston's personal authorship and it was clearly intended to serve a double purpose. It aimed at clarifying the British commitments in the event of hostilities being reopened in Korea; at the same time it sought to answer the attacks made on the Government both for signing the declaration and for not having mentioned its existence during the foreign affairs debate in the Commons just before Parliament rose.

Sir Winston disposed of the second complaint in short order. He pointed out that the sixteen signatories had agreed to its release on August 7th. Whether or not the date was wisely chosen is immaterial. Once it had been agreed, the British Government could obviously not break the embargo. On the merits of the declaration, the Downing Street statement recalled its genesis nearly two years ago and reminded the critics that it was intended to cover only an "unprovoked" renewal of aggression by the Communists. The statement made it clear that, so far as

Britain is concerned, the declaration has no relevance to a breach of faith by President Syngman Rhee. The British commitments in the event of a new attack from the north are in principle, therefore, no more than those entered into by the Labour Government in 1951.

The statement, in fact, underlines the folly of the Labour MPs who have mounted sharp attacks on the Government. Those responsible may be treated coolly when their leaders return from abroad. Mr Attlee was told about the declaration, in confidence, on August 1st. It has been reported that he then agreed he would have had to take similar action had he been in power. In any case he was so little disturbed that he left for his Yugoslav holiday the next day. Mr Morrison was informed of the declaration on August 4th and left for a Swedish holiday two days later. Whatever doubts either may have harboured were doubtless stifled by chilling memories of what had happened eighteen months previously. Then, under pressure from its left wing, the Opposition tried to challenge Sir Winston on much the same point after his return from Washington. It was in the resulting debate in February, 1952, that Sir Winston disclosed the Labour Government's own commitment to carry the war across the Yalu. In last week's Downing Street statement that debate was pointedly recalled. It should stand as a warning to any Labour MP who might be tempted to plunge recklessly into such grave issues.

Morrison versus Greenwood

NOMINATION lists for the various Labour party elections closed last weekend and will be published at the end of this month in the final agenda for the annual conference. The most interesting item will be the contest between Mr Arthur Greenwood and Mr Herbert Morrison for the office of treasurer. Mr Morrison's supporters are increasingly confident of victory, but less certain of the long-term impact which his success might have on his general standing in the Labour movement. There is, therefore, quite a chance that he may yet withdraw from this tussle. In that case he would presumably pin his hopes of returning to the national executive on the proposal of the National Union of Seamen that the deputy leader of the Parliamentary Labour party should be a member of the executive *ex officio*, just as is the leader. If the Margate conference can be persuaded to approve this motion Mr Morrison would certainly be offered an easier path, although his readiness to fight Mr Greenwood may well have been carried to such a stage that it has already provoked any revulsion to be expected from his action.

However he may return to the executive, Mr Morrison will not be able to escape the gibes of the constituency parties whose verdict he is not prepared to risk again. He may indeed have withdrawn from this arena prematurely, for there is no certainty that the Bevanites will repeat their success of last year and capture six of the seven seats reserved for the constituency representatives. Although the left-wing candidates took two out of every three votes, they won so many seats only because their votes were concentrated while the right-wing votes were

spread over nearly a score of candidates. It is also clear from the figures that at least two constituencies out of five must have voted both for Mr Bevan and Mr Morrison. There is evidence that some votes were withheld from Mr Morrison as a temporary protest rather than a permanent criticism.

On how the Bevanites fare in the elections may rest the nomination for the executive's vice-chairmanship. This goes by strict seniority, this year's vice-chairman being next year's chairman. The two members next jointly in seniority are Mr Bevan and Dr Summerskill. Mr Bevan and his friends would naturally like to see him chairman in the year of the next general election; the right wing would be equally glad to keep him away from the chairmanship at such a crucial time. Whatever may be its technical limitations the chairmanship of the Labour party executive could be used as a powerful weapon in the hands of a man of strong personality. The new vice-chairman will be elected by the new executive at its first meeting towards the end of the Margate conference. On both sides there will be some shrewd calculating, some careful scanning of the executive election figures, and some desperate attempts to peer into the mind of the man who will decide when the next election is to take place, who will not be at Margate at all.

Nigerian Disagreements

IT is to be hoped that the withdrawal of the leaders of the Action Group from the Nigerian constitution conference will not, even at this late hour, prevent some final agreement. But Mr Awolowo's walk-out is, of course, much more serious from a practical point of view than that of Mr Nwapa and his colleagues of the National Independence party. The reasons given by each, however, throw light upon the strains within the conference, and begin to look ominous for the prospects of any patched-up agreement that may eventually emerge.

Mr Nwapa and his colleagues, who are among the most level-headed of Nigerian politicians, even though their electoral power has yet to be tested in the forthcoming elections in the eastern region, have withdrawn because the shape of discussions promises little more than an alliance of states, with the federal government federal only in name since each regional Prime Minister could apparently at any moment order home his central "ministers". How abundant might be the occasion for such breakdowns is indicated by Mr Awolowo's statement on his party's withdrawal from the conference. He wishes to reinstate the ministers from the western region whose withdrawal earlier this year precipitated the crisis, although the northern leaders have made it clear that they will not work with these particular gentlemen again, alleging that they disclosed "cabinet" secrets. The new federal council of ministers would, indeed, be even less like a responsible cabinet team than the old one. A second cause of Mr Awolowo's discontent is the proposal by the official side that Lagos should be "federal" territory (though its status would be more like Trieste than Canberra) after the delegates had failed to agree on this subject and referred it to the Colonial Office for adjudication.

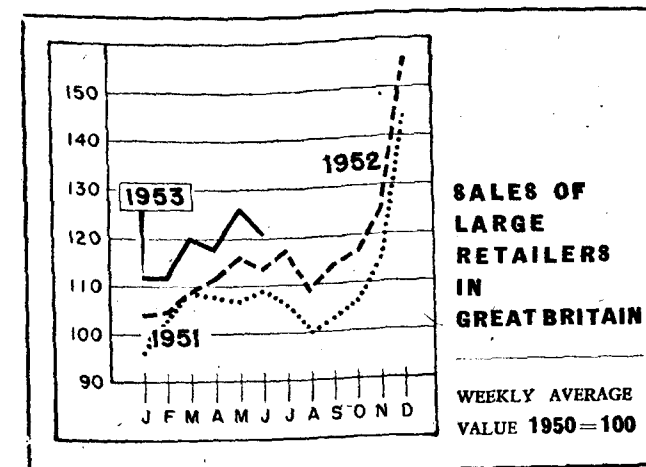
It may well be that Mr Nwapa's strictures on the type of constitution that was emerging from the conference—and for which he did not blame the Colonial Office—have influenced some of the other leaders, and that they are beginning to think that they would be wiser to go home with no agreement at all than one which appears to carry the seeds of a worse crisis before long. It would be better, however, at whatever inconvenience, to prolong the discussion and attempt a more constructive approach.

Tables Turned in Persia

NO one can affirm that Dr Mossadegh has been counted out until the count is over. As *The Economist* goes to press he is reported to be under arrest, and military supporters of a new premier, General Zahedi, are in control of Teheran, Isfahan, and all the towns of Azerbaijan on the Russian border. But the days preceding this coup have been so full of reversals of fortune that nothing is yet sure.

On Sunday the Shah flew into Baghdad without warning, luggage or entourage, saying that he had left Persia of his own free will, but had not abdicated; he had nominated General Zahedi as Premier, but had been resisted by Dr Mossadegh, who refused to be dismissed. The Mossadegh version of this story, as put out by Teheran radio, was that the Imperial Guard had attempted a coup that had ignominiously failed and that the Shah had fled. Next day, statues and other mementoes of the Pahlevi dynasty were being dragged through the streets at the tail of lorries, and the Central Committee of the Communist (Tudeh) Party was urging Dr Mossadegh to put an end to monarchy. While the latter was hawking between the alternative methods of running a one-man show—that of establishing a Regency Council of his yes-men, and that of throwing over the constitution and proclaiming himself President—army officers turned the tables, seized the towns, and after some bloodshed put Dr Mossadegh to flight. General Zahedi, installed in Teheran, has cabled the Shah to return.

Perhaps the Shah calculated that by leaving the country he could best draw attention to Dr Mossadegh's isolation and insensate exploitation of the patience of the masses, but it would have been more dignified to remain in the



palace during the action required to get rid of the Prime Minister, and to have organised it well from the start. As far as Dr Mossadegh is concerned, the lesson of events is the familiar one that a dictator cannot hope to succeed unless he squares the army. As to the future, the army's seizure of all towns in Azerbaijan clearly indicates that the aspect of Dr Mossadegh's policy that it most feared is his refusal to recognise that by relying on Tudeh support he was virtually admitting the influence of the hated foreigner—Russian influence in Persian dress. But the western powers in general, and Britain in particular, must not expect immediate overtures from General Zahedi and his friends, good nationalists all. Persian tempers are still such that any leader who now embraced the West would court a bullet.

The Release of Mr Sanders

IT is three and a half years since Mr Edgar Sanders was thrown into a Hungarian prison on fictitious charges of espionage and sabotage. The explanation that he has now given of his subsequent "confession" only confirms what is already well known about the way in which Communists stage their show trials; moreover, Mr Sanders's business associate, Mr Robert Vogeler, who was tried with him but released two years ago, has already graphically described how he was "prepared" for trial. It is clear why the Hungarians have suddenly relented. They are anxious to increase their trade with this country, but the British Government had consistently refused to resume trade talks until Mr Sanders was released. In 1949, imports to this country from Hungary were worth about £6,800,000, and British exports to Hungary about £4,700,000. Last year only £12,000 worth of goods found their way round the British ban on Hungarian imports. British exports to Hungary have not been banned, but last year the Hungarians only scraped together enough currency, from sales elsewhere in the sterling area, to buy just over £700,000 of British goods.

It is not so long since the Communists in Hungary, as elsewhere in eastern Europe, were rejoicing at the extent to which their foreign trade was being diverted from western markets and concentrated within the Soviet bloc. Now they are singing quite another tune. In his speech of July 4th, in which he outlined the new economic policy for Hungary, Mr Nagy, the new premier, spoke of the desirability of increasing trade with capitalist countries. This is one of the few aspects of his speech which has not subsequently been watered down. On the contrary, the Hungarian press has severely blamed the planners who have tried to make the country self-sufficient, and has emphasised that it is vitally necessary to fulfil export plans if the standard of living is to be raised.

This, indeed, is the crux of the matter. The Hungarian people have been promised more goods in the shop windows; but the government clearly does not want to abandon its plans for heavy industry. (It appears, in any case, that it has just promised to supply large quantities of capital goods for the rehabilitation of North Korea.) To carry out these conflicting promises it would be useful to expand Hungary's traditional exports of wine, fruit and food in return for British consumer goods.

France Loses Patience

A FORTNIGHT of strikes has given new and disconcerting shapes to the twists and turns of French politics. Since the outburst looks like a spontaneous expression of discontent by large masses of workers and civil servants, none of the parties relying in some degree on support from these quarters can allow the Communists to gain the prestige of lonely leadership. The Socialist and Catholic trade union leaders, in particular, cannot dissociate themselves from the movement without risk of important losses to the Communist CGT. Hence the paradoxical situation that MRP (Catholic) ministers sit in the cabinet, while Catholic unions strike against their government's authority. No wonder that the MRP leaders are seeking for a compromise or that the Socialists are looking anxiously over their left shoulder. If the Assembly meets next week, with everyone from the centre to the left counting votes in the country, M. Laniel may find himself without sufficient support to face the strikers.

Yet more is now at stake than a mere balancing of groups in the Chamber. The underlying principle of the present regime is being put to the test. France has been working for some time on the tacit assumption that extremists should not be allowed to use democratic freedoms to wreck parliamentary democracy. The electoral law, aimed at Gaullists and Communists and supported by the Socialists, was drafted on that basis. The Communists, in particular, have become the untouchables of the Chamber. Apparently everything was working smoothly: the Gaullists lost strength and the Communists were put on the defensive. Yet successive governments were unable to deal effectively with the economic causes of the cleavage, and the present outburst created a strange rift between alignments within and without the Chamber. If those who entered into this tacit pact cannot find common ground in times of crisis, then the French parliamentary system will again face the double danger of resurgent extremism on both right and left—with the Communists imposing "unity of action" on the left.

The Sevenpenny Egg

CONSUMER resistance has been rediscovered and in the last few weeks has become a household word. It has successfully forced reductions in prices of mutton, pork and bacon, and this week has brought the 7½d. egg down by a penny or so. The Ministry of Food's response to the outcry about egg prices has been to import 7½ million eggs from Holland immediately, and these Dutch eggs, selling—like Danish—at 5d. or 6d. each, will further bring down the price of home-produced eggs.

A seasonal price rise at this time of year was inevitable, but 7½d. was reached rather sooner than the Ministry had expected. Private trade could have responded quickly by importing, in small batches, from Europe; but all imports are still made by the Ministry of Food—and will continue to be until the present temporary system of marketing eggs is superseded by permanent arrangements. The present arrangements leave much to be desired. One criticism is that eggs reach the shops via the packing stations, which grade them but also make them at least slightly less fresh; they ought to be stamped with the date. But the main

weaknesses of the scheme are that the prices guaranteed to the farmer are too favourable during the flush season, and that imports are controlled. It is right that the support price should encourage production in the off-season. It is not right that failure to import should have sent the retail price some 3s. a dozen above the guaranteed minimum for this time of year. Nor is it fair that the higher prices in the off-season should not be compensated by low prices in the flush season. People would have less reason to complain of 7½d. eggs if they had been able to buy them at 3d. in April and May. As it was, the price never fell below 4½d. for grade A eggs. This gives a much narrower price range than was usual before the war when peak prices were some two and a half times the lowest prices.

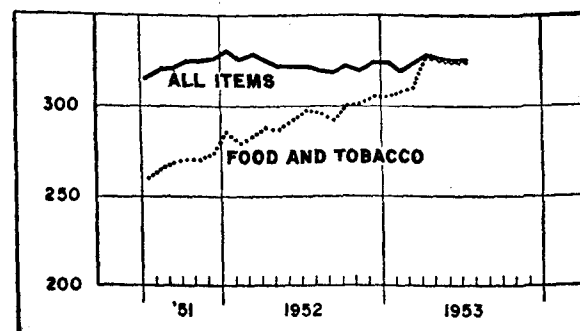
The farmers' representatives are no partisans of the egg marketing scheme, but their complaint is that they were not properly consulted. When a permanent scheme is evolved they would probably fight any proposal to reduce the support price during the flush season. Yet unless prices of home-grown food are made more flexible, according to season and quality, the Agriculture Act itself may well break down under the pressure of this new consumer resistance.

Full Granaries

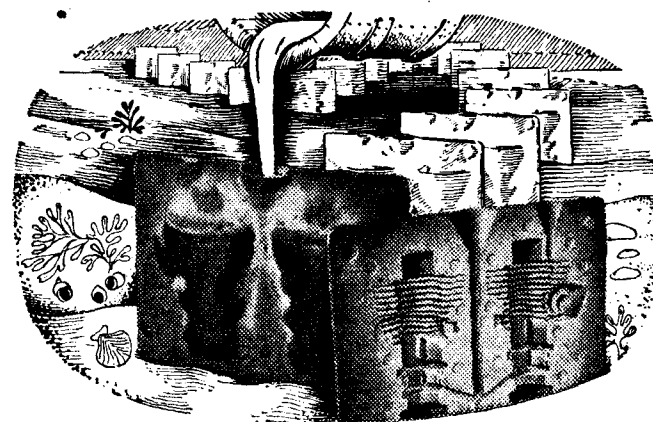
THE farmers have been hurrying to bring in the harvest while the good weather lasted. Wheat is reported to be standing well, but barley and oats have been somewhat damaged by July's storms. It appears that there will be at least 200,000 tons more wheat than there was last year, but 60,000 less barley. The oats crop will be about the same as last year's.

Even in cereals expanding home production has become almost an embarrassment this year. Some 22,000 combine harvesters are hard at work, filling the granaries to overflowing. In earlier years the farmers have just managed to dispose of their grain because millers and compounders were required to absorb a certain fixed proportion of British grain. There was, moreover, considerable inducement for the millers to do so because British prices were below world cereal prices. That position is now reversed. Since the grain trade was freed at the end of July millers can buy where they choose; and as world prices are falling, they might well have preferred to buy

BRITISH WHOLESALE PRICES
INDEX NUMBERS 1938=100



Sand into Shells



A mixture of dry sand and a special heat-hardening BAKELITE Resin is dropped on to a heated metal pattern. A strong, light 'shell' is formed, which makes a very suitable mould for metal castings. It sounds simple, but the process represents a revolutionary advance in foundry practice. It means cleaner, more accurate castings that need little or no machining. The development of a suitable resin is another example of the practical benefits to industry that flow from Bakelite Limited's research. The story of plastics is already a long one, but new pages are being written every day — by the organisation whose pioneering efforts were mainly responsible for the general adoption of these versatile materials.

Please write for booklets describing the Shell Mould process or BAKELITE products generally

BAKELITE
VYBAK
WARERITE

Regd. Trade Marks

Producers of Phenolic, Urea, Alkyd & Silicone Moulding Materials • Laminated Sheet, Rod & Tube • Glass Fibre & Asbestos Laminates • Phenolic & Urea Resins,

PLASTICS

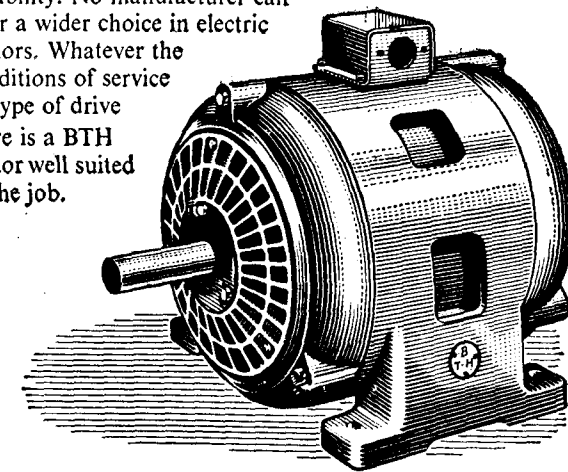
Cements & Adhesives • Polyester Resins • Rigid & Flexible PVC Sheet • PVC Moulding & Extrusion Compounds • Decorative Laminated Plastics.

BAKELITE LIMITED
first and still foremost

BAKELITE LIMITED • 12/18 GROSVENOR GARDENS • LONDON • SW1
Telephone: SLOape 0898

BTH Industrial Motors

BTH is particularly well placed to meet the needs of Industry for electric equipment in general—D.C. and A.C. (single or polyphase) motors and associated control gear in particular. Present day production represents the results of over fifty years' continued progress in original research, design, and manufacture, of all types and sizes of rotating electric machines—second to none in performance and reliability. No manufacturer can offer a wider choice in electric motors. Whatever the conditions of service or type of drive there is a BTH motor well suited to the job.



THE
BRITISH THOMSON-HOUSTON
COMPANY LIMITED, RUGBY, ENGLAND
Member of the AEI group of companies

OUTSTANDING VALUE
IN
LIFE ASSURANCE



ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY

20, LINCOLN'S INN FIELDS, LONDON, W.C.2

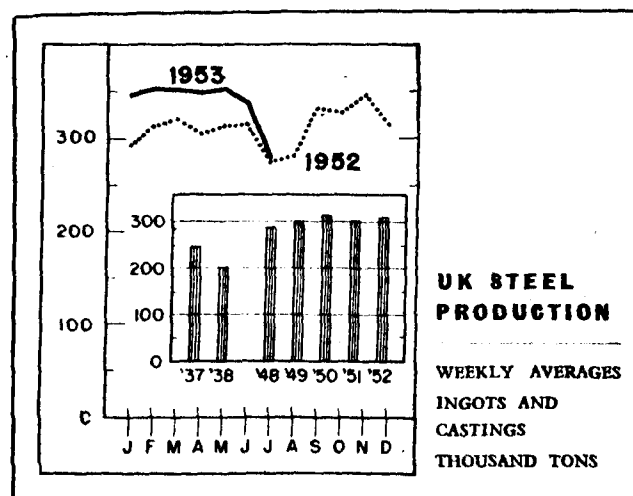
imported grain. The Ministry of Food, however, has persuaded the millers to agree to buy British wheat if it does not sell adequately by ordinary marketing. This agreement is described on page 528. The millers will not lose by it, for the Ministry will reimburse them for any difference between the world and home prices. The farmer, on the other hand, will soon be able to make a profit on feed-grains, by buying imported grains and unloading his own on to the Ministry.

The arrangement with the millers should mean that the storage problem is not, after all, unmanageable—at least this year. But whatever the eventual arrangements for marketing grain, it is clear that the farmers themselves ought to make a great effort to increase storage and drying capacity in line with the great increase in the number of combine harvesters.

Dr Malan's Tactics

IN postponing for another month the crucial third reading of his South Africa Act Amendment Bill, Dr Malan is hoping to gain time to divide his opponents and thus ultimately get the dozen odd votes he needs for a two-thirds majority of both Houses. It is a shrewd move; but many observers have mistakenly assumed that Dr Malan in deploying this tactic is playing for time to avoid the humiliation of defeat.

The basic strategy guiding Dr Malan's actions remains unchanged: it is to divide his opponents and to deflect criticism from sensitive sectors, such as the country's economic difficulties. He has already succeeded in disintegrating the once united opposition front, which has now split up into four separate and hostile factions. But this is only the first objective; more important is the plan to break up the United Party (UP), and already there have been some ominous signs. Indeed, some UP members have seemed to be on the brink of deserting to the Nationalist side. Dr Malan judges—he may be right—that time will bring them meekly into his fold. If this fails there is another alternative. Dr Malan knows that under the present weak UP leadership the party's conscience on the constitution question is a greater obstacle to a rapprochement with his own Nationalists than any fundamental difference on the principle of white supremacy. Many



UP stalwarts would like to separate their pledge on the sanctity of the constitution from the particular problem of the coloured voters' representation. Hence if Dr Malan could discover a formula that satisfied his basic aim of removing the coloured voters from the common roll, yet at the same time left the UP with its conscience nominally intact, he could have his two-thirds majority and more for the asking. He needs time, however, to make the necessary soundings in his own party, as well as in opposition circles both inside and outside parliament.

A protracted political crisis, however damaging to the country's economic position, is not unattractive to the Prime Minister. As the recent budget debate showed, the opposition groups can quickly mend their ranks and make an effective stand against the government once the debate is shifted from the sensitive colour question. Dr Malan's tactical manoeuvre is, therefore, not a sign of weakness but rather an intelligent assessment of his opponents' differences.

Molotov's Dud

MR MOLOTOV's latest Note to Germany is a heavy dud that has landed in the western lines without exploding. It should not seriously worry Dr Adenauer in his election campaign. It is even slightly ridiculous to observe so clearly the workings of the Soviet Foreign Office; readers of the Note are almost in the position of attending the conferences at which it was decided that the Soviet Union could not afford to leave the western powers with the initiative on German unity. Though Molotov had only just replied to the western proposal for a conference on Germany by saying that the agenda must cover the world, he now blandly writes that there must be a meeting on Germany alone. This is all too clearly propaganda for the German elections.

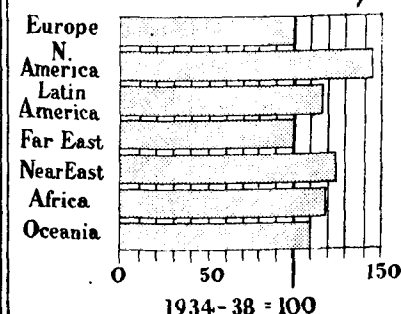
But the propaganda is not even good, because it contains no concessions which point to German reunion in freedom. In his well-known repetitive, dreary style, Molotov has served up the old proposals made in Stalin's day, with a few embellishments. The Potsdam agreement is still to be the basis for establishment of a "peace-loving, democratic" Germany; the all-German government that is to take part in treaty negotiations is still not to be a freely elected body, but one nominated from the Grotewohl and Bonn governments, with participation of the Communist-dominated "mass organisations." This temporary all-German body is supposed to organise elections which would certainly be conducted in a way that would safeguard the Communists.

All these proposals have time and again been rejected by the West Germans, including the Social-Democrat party. It has repeatedly been pointed out that the East Berlin puppets who rule less than eighteen million Germans have no right whatever to claim equality with the freely elected Federal Government, which governs fifty million people. This is doubly true since the revolt of June 17th disposed of any idea that Herr Grotewohl or Herr Pieck held a mandate from the East Germans. To offset the damping effect of his proposals, Molotov has thrown in an offer to stop taking reparations from Germany after next January and to limit occupation costs to five per cent of German budgets. To smooth over the fact that only the Soviet Union is exacting reparations, he proposes that post-war State debts should be cancelled. This is a reference to Marshall aid, and other

WORLD FOOD SUPPLIES

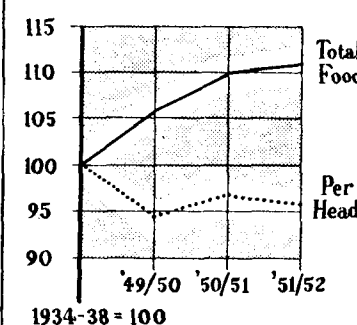
REGIONAL CHANGES IN FOOD PRODUCTION

Between 1934-38 and 1951/52



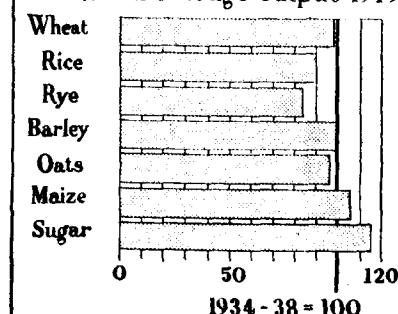
FOOD PRODUCTION

WORLD TRENDS

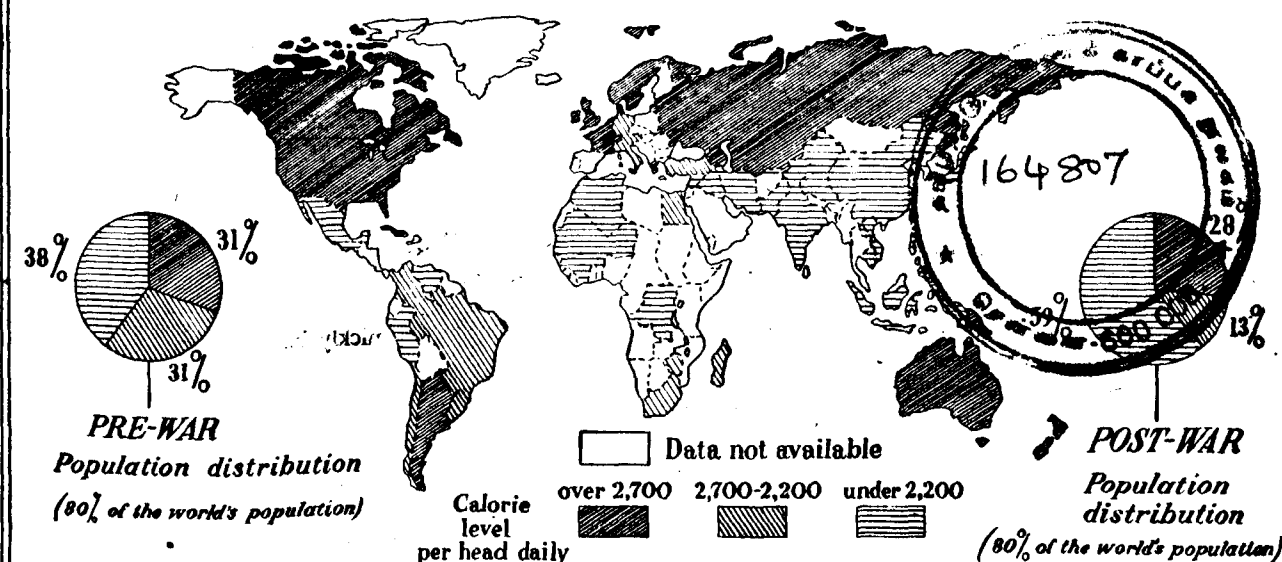


OUTPUT OF SOME COMMODITIES PER HEAD

World average output 1949-51

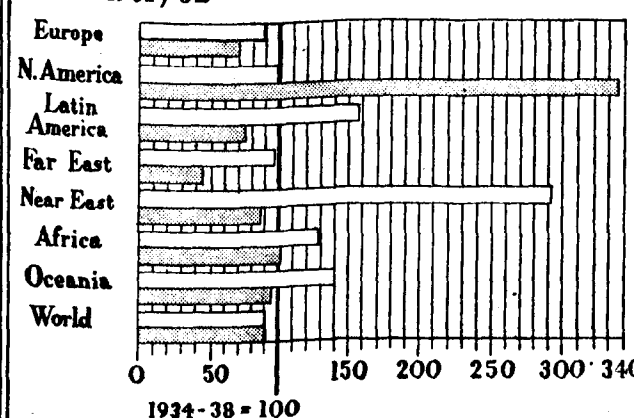


CALORIE CONTENT OF FOOD SUPPLIES (Recent Survey)



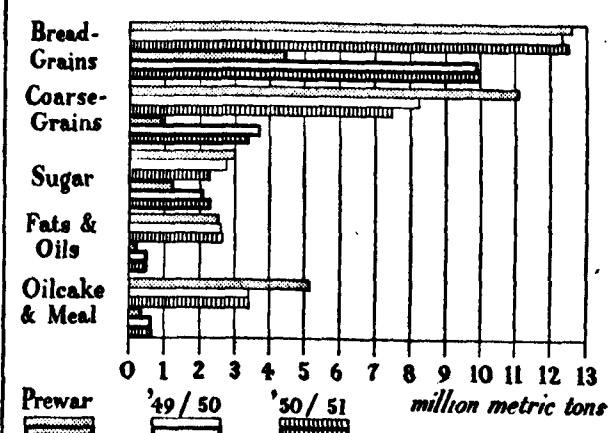
TRADE IN FOOD

CHANGES IN IMPORTS & EXPORTS 1951/52



EUROPE'S DEPENDENCE ON IMPORTS

AMOUNT IMPORTED FROM DOLLAR AREA



Sources: "The State of Food and Agriculture: Review and Outlook, 1952" and "Second World Food Survey." Food and Agriculture Organisation of the United Nations.

Xms6, MUB

Allied relief to West Germany, repayment of which has already been very drastically scaled down at the London debt conference. Mr Molotov does not mention whether the Soviet Government intends to return the East German uranium mines or the important industrial plants that are now Soviet-owned companies.

Respite for the Copperbelt

THE strike which threatened to disrupt production at the Nchanga copper mine, and probably to exacerbate racial tension in its course, will not take place, at least for the time being. The African Mineworkers' Union has obtained a mandate to call a strike when it thinks fit, and has not formally withdrawn the demands that the mining companies hold to be unconstitutional in terms of Northern Rhodesian labour legislation. But the intervention of the Commissioner for Labour and Mines has at least induced the African unionists to hold their hand, and their president is leaving for an overseas tour.

The dispute arose because the African unions demanded the dismissal from the companies' employment of a number of men who appeared as witnesses against the union in the trial of its vice-president. He was charged with threatening violence to some tribal representatives on the copper belt who were invested with robes of offices by the companies without prior discussion with the union. The union's case was weak; but feelings ran high, and the issue was one on which the European workers were able to make common cause with the employers. A trial of strength at a time when federation of the Rhodesias and Nyasaland is being inaugurated, and elections lie ahead, would be bound to have had unfortunate political repercussions.

The union has chosen the wisest course; more important issues face it—notably that of the colour bar. Its action suggests that the leaders have realised that they must hold their strength in reserve. The colour bar issue is clearly linked with the principle of partnership embedded in the new federal constitution, and the time to test it needs to be carefully chosen. On this point the African union can command wider support; that its leaders have appreciated the strategic possibility is perhaps indicated in their request for informal talks with the Chamber of Mines to discuss "general industrial relations in the copperbelt."

Nurses' Quarters

THE recent memorandum from the Ministry of Health on accommodation for nurses tackles the question from the wrong end. With certain exceptions, there is nothing inherent in the work of a hospital nurse that makes it necessary for her to live in a "nurses' home." If she chooses to live elsewhere, there is no reason why she should not, provided that living out does not impair her efficiency or prevent her from conforming to her hospital's routine.

This is the conclusion reached by the nursing committee of the Central Health Services Council, and it is one that many hospitals are already acting upon. Both the committee and the Ministry recognise that, in their first year particularly, student nurses should live in. So, too, for different reasons should most ward sisters and their

deputies. But although other grades of nursing staff should be allowed to live out, it is doubtful whether most of them want to—at least as long as other accommodation continues to be scarce and expensive. Nurses who live in hospital pay a fixed sum annually for their board, lodging and laundry, varying from £145 for a sister to £108 for a student nurse. These sums would be quite inadequate to pay for their board and lodging outside hospital and their fares. Moreover, if they live out, they may have to pay up to £30 a year for their meals on duty and for the laundering of their uniforms. Unless they live at home, they are thus badly out of pocket compared with resident nurses.

The Ministry's memorandum, however, makes no mention of this difficulty. It gives the impression that there are large numbers of nurses anxious to live out and that hospital authorities are consequently spending big sums unnecessarily on nurses' homes. It is quite true that these homes are costly and often unnecessarily so because of the elaborate standards of equipment and amenities. The Ministry of Health is right to emphasise that accommodation could be provided more simply. But it is optimistic to think that large capital sums can be saved by the expedient of allowing some grades of nurses to live out. Hospital authorities cannot act on the assumption that they need not provide accommodation for many of their nurses until the nurses in question are easily able to find alternative

Principles Before Party

The Session of Parliament, now virtually at an end... was marked by some important peculiarities; and the list we publish elsewhere of the number of public bills introduced, will show at a glance the immense number of measures and immense variety of business which have occupied the continued attention of Parliament. Much private business and many committees—election and others—have added much to the labours of Parliament, and have made this as arduous a session as ever met. Its most important result, however, is not engrafted into the statutes, though it may influence the formation of them for years. It will be remembered that the new Ministry opened the Parliament with a doubtful majority; before it closed almost all opposition had vanished. To that important result the character of the Ministers, and the confidence the public was disposed to place in them, powerfully contributed. But it would not have been sufficient had their measures not been distinguished by an earnest desire to do the duty expected of them in the best manner, and by great sagacity in finding the best means. Party has, by their mode of administering the Government, made way for principles; and at the close of the session the public think little of the men in office, but much of the measures they proposed. These, and their obvious sincerity and earnestness, made it evident that they were working less for themselves or a party—which, in fact, they scarcely had—than for the country, and rallied around them the reflecting and the wise of all parties. While they have studiously attended to their legislative duties in regard to our domestic concerns, they have not neglected our foreign interests or disparaged our honour. Their foreign policy has found no impugnors in Parliament; and they could not have been so zealous in promoting great financial, trade, and administrative reforms, had they not provided for the peace as well as the security of the Empire.

The Economist

August 20, 1953

lodgings, can afford to pay for them and have long enough periods off duty to enjoy their independence. The first condition is outside the Ministry of Health's control, and the other two would increase the hospitals' maintenance expenditure. Living-in should certainly not be insisted on. But in present circumstances, and provided the discipline of the nurses' home is sensible, it is as likely to attract recruits as to deter them.

Family Planning in India

IT is not often that the most significant part of a conference's proceedings consists in the inaugural speeches, messages and general formalities of welcome to the delegates. But it is no derogation from the interest and value of the recently published Report* of the third International Conference on Planned Parenthood to find this special significance in its preliminaries. The conference was held at Bombay in November of last year; it was inaugurated by an address from Dr S. Radhakrishnan, Vice President of India, and received cordial messages of welcome from Pandit Nehru and from a number of other holders of high office in the Republic. For many years India has provided the locus classicus of neo-Malthusian pessimism—an apparent demonstration of Asia's ineradicable propensity

* The Third International Conference on Planned Parenthood: Report of the Proceedings. Obtainable from the International Planned Parenthood Federation, 69, Eccleston Square, London. 247 pages. 10s. 6d.

Books & Publications

People in Flight

THE REFUGEE IN THE POSTWAR WORLD.

By Jacques Vernant.

Allen and Unwin. 827 pages. 45s.

A SMALL stir was created last year when copies of a preliminary version of this report were given to United Nations delegates. Half a dozen governments protested at the way in which their treatment of refugees was described, and an attempt was made to suppress the report. Happily, this failed. The talented Secretary-General of the Centre d'études de politique étrangère—France's "Chatham House"—has been able to complete the task which he accepted two years ago. M. Vernant was invited by the United Nations High Commissioner for Refugees to undertake, at the costs of the Rockefeller Foundation, an independent study of the position of refugees in various countries. With the aid of an energetic team of eleven investigators, who between them have covered an astonishing amount of ground, he has

produced a remarkable work, which will surely join Sir John Hope Simpson's prewar study as a classic in this field.

The interim version of M. Vernant's report comprised a brief review of the origins of the various groups of refugees, an account of the international bodies concerned with their fate, and a detailed review of the conditions they encounter in most of the countries of western Europe, and in Egypt, Syria and the Lebanon. To this have now been added sections on Israel, the United States, Canada, Australia, New Zealand, the ten republics of South America, Mexico, Guatemala and the Dominican Republic, and on the European refugees in Shanghai who, unique in remaining on Communist territory, now present the High Commissioner with one of his most painful problems. But M. Vernant, who is interested in human facts, not organisational quirks, has seen no reason to restrict himself to the High Commissioner's mandate, and accordingly he has added further chapters on the refugee

to nullify, by mass breeding, any material betterment that modern science and technology might provide. Moreover, Indian mores and religious convictions seemed to oppose an insuperable barrier even to the distant hope that the spread of education and the influence of industrialisation would ultimately bring a solution.

The solution is still remote; but at least the myth of the insuperable barrier, the irrational and universal fertility-cult, can be regarded as officially discredited. One could easily make a list of countries in which any international conference on family planning would be banned outright; India welcomed it. One could make a longer list of countries where such a conference, even if tolerated, would certainly have to get on without the outspoken moral support of the Prime Ministers, Vice Presidents, and Commanders-in-Chief. It is true that the official Indian policy on birth control makes a cautious compromise with religious susceptibilities; but few countries go so far as to have a positive official policy at all. And among the forty papers reproduced in the report, ranging from the most general discussion of population problems to the most technical accounts of current medical research, there can be found surveys of opinion and cultural attitudes which provide solid, though necessarily limited, evidence that the minds of the ordinary people of India, as well as their statesmen's, are accessible to the common sense of family planning. From cultural, economic and technical standpoints alike the problem of establishing a demographic equilibrium in India remains immense. But the spirit in which that problem is being tackled could be emulated with advantage much nearer home.

problems in India, Pakistan and Korea. It seems hardly fair to complain of an omission in so thorough a survey; but the lack of reference to Finland is curious.

The absence of official endorsement and freedom from governmental inhibitions have enabled M. Vernant to make this prodigious study surprisingly human. Embedded in the wealth of necessary detail are many poignant and even domestic reminders that refugees are individual men, women, and (too often) children. There are the Russians, ejected from Yugoslavia after 1948 but preferring refuge in the west, throwing their 1946 Soviet passports out of the window as their trains neared Trieste; the Spaniards who manned some of the first tanks to enter Paris with General Leclerc; the Yugoslav who became the darts champion of Staffordshire. Again, in discussing whether Britain might have done more for the "hard core" of refugees left on the Continent, the report comments:

The uprooting after years, and for the second time, of old or invalid people, and their transfer, even in better material conditions, to a land of little sunshine and much rheumatism is not necessarily a benefit.

But this leavening of humanity has not prevented the investigators from looking coolly and sometimes very critically at the reception given to the refugees in each country. Charges are levelled, quietly and with a convincing back-

ground of fact, of bureaucratic callousness, racial discrimination, and ruthless exploitation of refugees' wretchedness in a number of countries. M. Vernant has no illusion that every refugee is an angel of light, and he is also at pains to give credit wherever reception and resettlement have been efficient and humane; but his picture as a whole is inevitably sombre. If, in general, the refugee is today less often an object of political suspicion, he nevertheless finds many new barriers in the way of his efforts to rebuild his life; and the fact that most of those barriers are economic makes them all the more difficult to remove.

Apologia for Franco

SPAIN RESURGENT.

By Sir Robert Hodgson.

Hutchinson, 260 pages. 21s.

IN 1937 Sir Robert Hodgson was called back into service by the Foreign Office to act as "Agent" with the unrecognised "Nationalist" Government of General Franco; he had held a similar position in Moscow in 1919, when the Russians were beyond the diplomatic pale. As the title suggests, these are no mere memoirs of a British Agent; this Sir Robert is a man with a mission. It is, in his own words, to rehabilitate Spain in the eyes of public opinion as "the vital part of Europe she is in fact" and to bring home to people "the errors, moral and factual," committed in outlawing Franco's Spain.

It is the first and only intelligent book on Spain in English written deliberately as an apologia; yet it may well be what the Spaniards call *contraproducente* (having the opposite effect to that intended). The crafty Galician may, indeed, take credit, as he did in a speech on June 5, 1939, for the *habil prudencia* of Spanish foreign policy; and we all know that he led Hitler up the garden. But the effect of Sir Robert's unimpassioned examination of the Franco phenomenon and the Caudillo's behaviour during the War (based on unimpeachable evidence from diplomatic documents and memoirs) is utterly damning.

Sir Robert's chapters on the Spanish political scene are an odd mixture of prejudice and good sense, of accurate fact and McCarthy-like invention. Thus, he records faithfully trivial yet important facts, for instance, that the crowd surging round the Royal Palace on the night of April 14, 1931, was an entirely friendly one and that Queen Ena was able to take her leave unmolested; he relates with consummate fairness the facts of intervention in the civil war—and is even open-minded about Guernica; and he justly condemns the treatment of Luis Companys and Besteiro, neither of whom could ever be described as hirelings of Moscow. Yet, because of insufficient knowledge and an anxiety neurosis about communism, he talks a deal of nonsense about the Spanish Republic. "No fewer than 33 Cabinets, including every shade of Left

thinking" is, for example, not just foreshortening but a complete travesty. The governments of the Second Republic (before the military rising and its stimulus to war-communism) were composed exclusively of liberals of varying shades; they never included any socialist wilder than the late Ernest Bevin, let alone a communist. The author admits, indeed, that, at the time when the monarchy fell, communism was both unimportant and unpopular; and, in fact, it remained so until some months after the outbreak of the civil war. Another *gaffe* is to talk of the opposition to Primo de Rivera as including "particularly Socialists inspired by the doctrines of the Comintern" when, actually, the principal Labour-Socialist leader, Largo Caballero, secured the passive support of the trade unions for the dictatorship, and he himself accepted membership of Primo's "National Assembly."

Part II, on the other hand, is a real contribution to history, even though it only puts together information already available in scattered form. It begins with a detailed account of the Tangier episode (1939-40) and then goes on to discuss Franco's deeds and misdeeds in the light of Anglo-Spanish relations, Spain and Germany, Spain and the United States, Spain and Italy. The final chapter covers developments up to the late summer of 1952.

The book is in many ways a commendable piece of work; but it is spoiled by its determination to make a case.

The Changing Law

THE CHANGING LAW.

By Sir Alfred Denning.

Stevens, 122 pages. 10s.

LORD JUSTICE DENNING is a great enthusiast for the common law, probably as much because he thinks it can change as because he thinks it worth changing. This book contains the text of a series of lectures he delivered, mainly at universities, on this theme. It is startling to find that those to whom the individual turns for the certainty of justice feel themselves free, indeed feel compelled, to change that law as, one might almost say, those who come before them want it changed. What certainty is there left?

Two chapters illustrate what goes on in a common lawyer's mind; one concerns the rule of law in a welfare state, the other the rights of women. Over the first, the fear Lord Justice Denning had was that the rule of law would be brushed to one side by the mounting power of the administrative machine and that the welfare state would come to mean a society in which the official decided what was welfare and who should have it, with no means of redress available to the individual. He proceeds to recount, happily, those instances in which the courts have been able to establish their controls over the administrative machine (and a satisfactory collection they are). But what the courts have been doing is establishing what they

think the relation between judiciary and executive should be.

In the chapter on the rights of women the recital is very much the same. Out of the apparently sterile material of the Rent Acts, for instance, the courts have been able to lay down quite broad principles, of great social importance, on the duties a husband owes to his wife and family, and which the courts will defend against third parties. But here there is some slight difference in the approach. In the case of the state machinery, the courts thought as common lawyers; over the rights of husband and wife they have tried to think as the man or woman in the street does, and the twist in the emphasis is an interesting study in itself.

Of course there are limits to the changes that the courts will permit themselves to make. The High Court recently declined to allow a sessions court to sidestep a prosecution under the order which fixed the price of steel. There must be limits, too, beyond which the courts should not go. But, in Lord Justice Denning's hands, the common law becomes alive and human, and for that demonstration one owes him gratitude.

English Rock

GEOLOGY AND SCENERY IN BRITAIN.

By T. G. Miller.

Batsford, 224 pages. 18s.

IT is fitting that the firm of Batsford, producers of so many books on the British countryside, should now offer what is in effect a geological introduction to their own series. Mr Miller begins his account of the influence of the rocks upon scenery and even on people's lives with a brief explanation of how they are made and of how these islands have been built in the successive geological ages. Thus instructed, the reader can pass to the major portion of the book, which contains a series of most interesting accounts of the geological individuality of the various regions of England and Wales (not, in spite of the title, of Britain) and of how this is reflected in scenery. The book is illustrated by a series of excellent maps and diagrams: Wales, for example, is shown with its various rocks like the skins of an onion—although here rumpled and there sliced away—in an unforgettable picture of a geologically confusing country. It is a pity that at the end of these stimulating chapters the reader will find no reference to more detailed works: the regional handbooks of the Geological Survey might, at least, have been mentioned.

The feature that distinguishes Mr Miller's book from more orthodox geological works is his sense of continuity, of the geological past reaching forward to be with us in mines and factories, towns and villages, today. Such an approach is a welcome change from that of the usual perambulating topographer, but has its own danger of a too simple determinism. The mining

landscapes which the writer describes so well could not have been developed without the occurrence of coal and iron in the rocks. But the fact that they grew up where, when and how they did is not purely a matter of geology; it is dependent also on a whole series of technical, economic and social circumstances. Even the natural scenery as it existed before the intervention of man is not directly related to the rocks; it depends, too, on the way that these have been sculptured by rivers, seas and other agents of erosion in geologically recent times.

Nevertheless, of all the influences upon scenery, it is geology that is fundamental, and Mr Miller's fascinating account of the nature and structure of the rocks which lie beneath the diverse regions of England and Wales should attract all country-lovers. It will surely stimulate many to an interest in a science in which the amateur can still find satisfaction.

Eighteenth Century Taxation

THE ENGLISH LAND TAX IN THE EIGHTEENTH CENTURY.

By W. R. Ward.

Oxford University Press, 188 pages. 21s.

AS every schoolboy knows, the eighteenth century in England was an age of administrative inertia. This full and scholarly account of the land tax, the latest addition to the Oxford Historical Series, amplifies and, in general, confirms this conventional judgment. What had been designed as a tax on income rapidly became a rate confined, with minor exemptions, to landed incomes only; and the collection of that rate became progressively less efficient. No attempt was made, though the possibility was often canvassed, to reform the tax and base it on a fresh and accurate assessment, and the attempts that were made to improve the actual collection of the tax had no significant success. Why the collection was inefficient is now reasonably clear: the men responsible for assessing and receiving the tax were amateurs; they were allowed inadequate expenses for their work, and therefore sought to recoup themselves by retaining large balances of the tax receipts and lending them out on interest; and the central government, even when it had the will, lacked adequate means of controlling the Commissioners and Receivers. Nor perhaps did it matter that the government had to wait a long time for its money; the state had to anticipate the delayed revenue by short-term borrowing, but, even if the interest so incurred is included, the administrative costs of the land tax compare not unfavourably with those of the customs and excise, which were in the hands of professionals.

It did, however, matter a great deal that the tax was based upon assessments made in the late seventeenth century, and that it failed therefore to tap the increasing wealth of the country. The problem which this created for the

finance of the wars of the eighteenth century is clearly described by Mr Ward, who shows how the pressure of the struggle against the American colonies at last stimulated attempts to reform the English financial system. When Pitt introduced his income tax at the end of the century, it did not, like the land tax a century earlier—indeed, like all earlier attempts at direct taxation—degenerate into a rate based upon stereotyped assessments, and this is a measure of the administrative achievement of the last two decades of the century. Effective direct taxation is something relatively recent in English history, and Mr Ward's study of the failure of the eighteenth century land tax sheds a revealing light on the way in which the necessary administrative conditions for an effective tax on income were created.

It is odd that we should have to wait so long for a history of the land tax, and even now it is not a complete history, for Mr Ward deals primarily with administration and politics and is not concerned with the economic effects of the tax or with contemporary economic thought on the subject. But within the limits he has chosen, he has produced a thorough and intelligent piece of work. No one is likely to choose this book for holiday reading, but no one will need to rewrite this particular chapter of administrative history.

The Liner Conference

INTERNATIONAL SHIPPING CARTELS.

By Daniel Marx, Jr.

Princeton University Press (London: Geoffrey Cumberlege).

323 pages. 40s.

THE title of this book is, perhaps, a little misleading. If a cartel is taken to be, according to Webster, "a combination of separate firms to maintain prices above a competitive figure," then it is open to doubt whether the word can properly be applied to the liner conferences which are the subject of Professor Marx's admirable study. As he explains, there is nothing in common between a liner conference and a combine of shipping companies linked by shareholdings or common ownership of assets. It was the tendency towards international shipping "mergers" at the beginning of the century, nevertheless, that largely gave rise to the suspicions of monopolistic practices which were examined by the Royal Commission on Shipping Rings in Britain and the "Alexander Committee" in the United States. The author analyses the findings of these committees in considerable detail, and faithfully examines the various developments of the liner conference system since these reports. His principal sources of evidence are the large volume of decisions, or "reports," of the successive American Government agencies set up by the Merchant Shipping Act, 1916, to regulate the commercial practices of shipping in the foreign trade routes of the United States.

It is surprising that the author, after sifting so much evidence and weighing so many pros and cons, has been able to arrive at any conclusions at all. His findings can be briefly summarised as follows: (1) self-regulation by the industry (through liner conferences) is necessary to prevent cut-throat competition and to establish a workable tariff, with differential rates, which takes into account the "traffic mix" and the competition of alternative sources and markets; (2) unilateral regulation—for example, by a Government agency—is needed to prevent undue discrimination and other monopolistic abuses; and (3) competition is required to provide incentives for efficient operation and to prevent excessive profits from being earned for too long. In fact, he finds that the present system—the international liner conference—is probably the most satisfactory. But he would add to the American procedure of governmental regulation—which incidentally is exercised by an agency whose prime function is the promotion of the American merchant marine—a regulation of the system by a supra-national agency, such as the proposed Intergovernmental Maritime Consultative Organisation.

Text and Reference Books

THE ISRAEL ECONOMIST ANNUAL, 1952.

Edited by E. Kollek.

The Israel Economist (Jerusalem). 352 pages. £3.

The fourth edition of this annual covers a wider field than its predecessors, but continues the previous pattern of sub-dividing the economy into distinct sections discussed by experts. The book deals mainly with 1951, but some information about the early part of 1952 is given, including developments associated with the new economic policy introduced in February, 1952.

BIBLIOGRAPHY ON INCOME AND WEALTH. Volum II 1948-49.

Edited by Phyllis Deane. International Association for Research in Income and Wealth.

Bowe and Bowes. 109 pages. 37s. 6d.

The second volume in this series covers the literature published on national income and wealth during the two years 1948 and 1949. There are over 800 cross-referenced entries and, as in the first volume, these entries are based on reports compiled by national income scholars in a large number of countries.

QUIN'S METAL HANDBOOK, 1952.

Edited by K. V. Henderson.

Metal Information Bureau. 752 pages. 25s.

The thirty-ninth edition of this standard reference book on ferrous and non-ferrous metals has been considerably enlarged, and by postponing publication by a few weeks the statistics are three to six months more up to date. Details are given of prices, production, consumption, exports, imports and stocks in all the important producing and consuming countries, and the data on prices of lead, zinc, iron and steel now include Continental countries. Its useful glossary of technical terms in English, French, German and Spanish has also been expanded.

Letters to the Editor

Labour and Korea

SIR—In your issue of August 15th, after referring to a letter in *The Times* of August 12th by Mr Patrick Gordon-Walker and myself about the 16-nation declaration on Korea, you talk of the “baffling forgetfulness and irresponsibility with which former Labour Ministers now speak.” Surely it is desirable that these serious issues should be discussed in a temperate and clear-headed manner. You go on to say that they (the reader would take this to mean Mr Gordon-Walker and myself among others) “are consistently opposed to the British Government showing any firmness anywhere.” This is a mere reckless use of language. The Labour Party publicly supported the decision to join instantly in resisting aggression in Korea, and carrying on inflexibly until an Armistice was achieved. But to see no distinction between thus establishing the principle of stopping aggression and confirming the moral authority of Uno on the one hand, and making empty threats against China on the other—if you really do not see it—argues an extraordinary blindness to the issues at stake in the world.

An extended war in the Far East would be disastrous, just because nothing could be more welcome to Russia, and dangerous to the democracies, than to have big American forces heavily embroiled with China. The danger to Western Europe would be much intensified. Is this not why Stalin so plainly welcomed, and prolonged, the Korean war?

Again, such a war, or anti-Communist crusade, would alienate the vast and stirring forces of Asiatic sentiment—from Indonesia to the Middle East—away from the democracies and push them towards Russia. It is yourself, I assure you, who, by apparently contemplating such a war with equanimity, are “providing *Pravda* with its most telling points.” Is it really too much to hope that you will abandon your extremist attitude, and use your influence to seek to explain the British point of view—largely bipartisan—on these crucial issues to your American readers?

Finally, you are again playing with words in arguing that a limited understanding to retaliate against bomber bases used to attack troops in Korea is a more serious commitment than a statement that “in all probability” (you ignore the operative words) the general war would be extended.—Yours faithfully,
DOUGLAS JAY
House of Commons

[Our criticisms specifically related to the attitude of Labour in opposition; Mr Jay's

examples of the party's ability to stand firm occurred while it was in office. That, indeed, is the point. There are, of course, some differences in the surrounding circumstances between Mr Morrison's pledge in 1951 and the sixteen-nation declaration of a few weeks ago. But they are small, and, whether it be “extraordinary blindness” or not (we leave our readers to judge), the only difference that seems to us to explain Labour's present indignation is that then the party's nose was kept on the grindstone of responsibility and now it is not. (Why, incidentally, does Mr Jay say that the Morrison pledge went no further than retaliation against bomber bases in Manchuria? In the only form in which it has ever been made public, it was not so limited.)

When Mr Jay accuses us of contemplating a general war in the Far East with equanimity, he is being neither temperate nor clear-headed, nor is he avoiding recklessness of language. He knows perfectly well that the difference between him and us is one of how best to avoid such a war. We hold that a purely one-sided promise not to fight is the best way of bringing it on.

Finally, we note with surprise his view that it is the duty of a journal of opinion to urge opinions which it thinks to be wrong whenever they are said (on what evidence we do not know) to be “largely bipartisan.” He flatters us too much, and rates his own party's clamorous powers too low, if he thinks any of our American readers take our own views to be those unanimously held in this country. Nor, we assure him, is it *The Economist* that is quoted with approval in *Pravda*.—EDITOR.]

Ariel and Caliban

SIR—As you have frequently pointed out, the arguments for a change in the organisation of British broadcasting tend to confuse arguments for and against competition with those for and against commercialism. There are strong justifications of principle for competition, but the justification for commercialism can only be expediency: that adequate finance cannot conveniently be found in any other way.

One reason for suspecting the supporters of sponsored television is that commercialism and profit-making are at least as far forward in their minds as competition for its own sake. They are silent about broadcasting competition in fields where profit opportunities are less spectacular than in television. Nothing is being said in the present debate about the suggestion that voluntary bodies, such as universities, might be allowed to set up their own low-power broadcasting stations. Nor do there seem to be any proposals that small-scale private enterprise should be given opportunities to establish sound broadcasting stations, or to develop wire-broadcasting beyond its present narrow limits. Yet, as the

experience of other countries shows, there are no real technical difficulties facing immediate development along these lines.

Technical and economic conditions must assure that competition in television can only be between a very small number of monster organisations. If the principle of competition in the dissemination of ideas is important, the field in which it can be applied most fully is that of sound broadcasting.—Yours faithfully,
A. C. L. DAY
London, W.C.1

Outpost on the Adriatic

SIR—In your issue of July 18th you published an article on Albania. May I point out an error of fact? Towards the end of the article, when talking of Italy's attitude, your correspondent writes: “About their own aims the Italians preserve silence.”

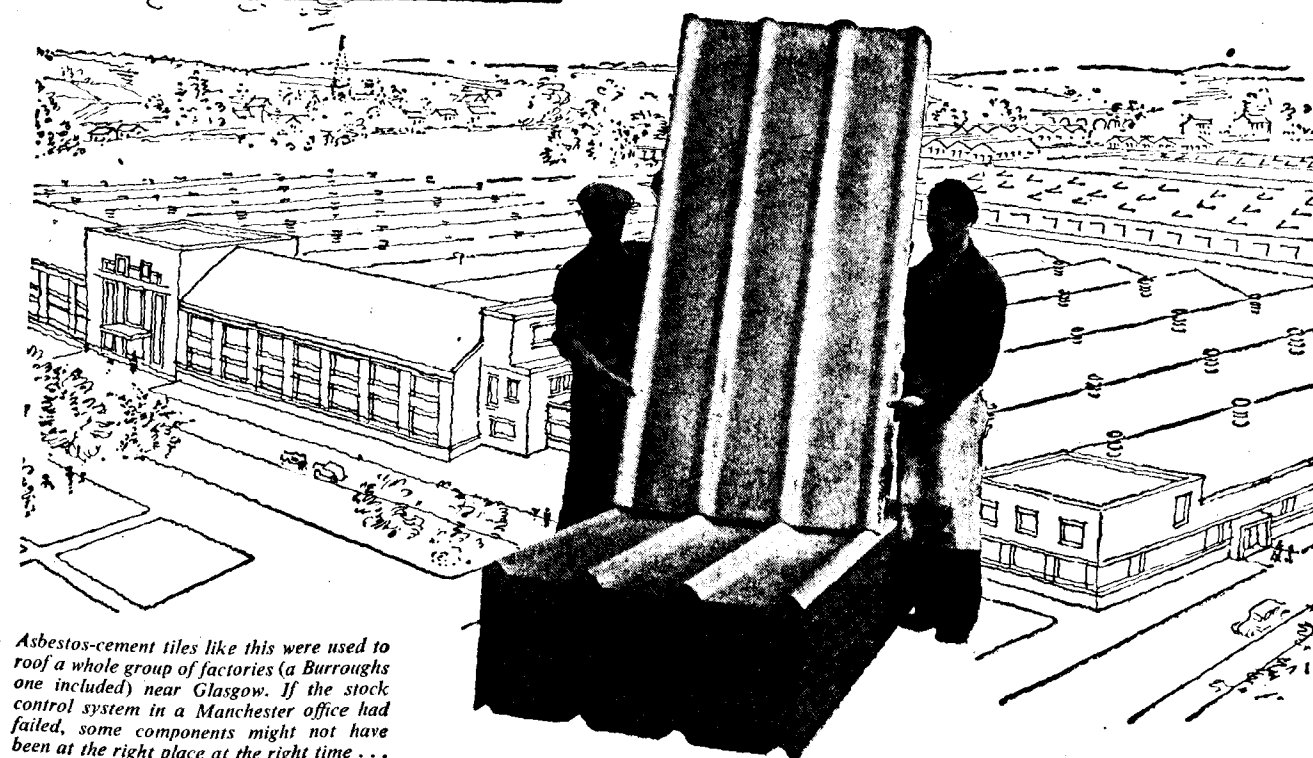
I would like to point out that the Italian attitude during these last years, as stressed by Count Sforza and Signor De Gasperi, has always been clearly based on the principle of Albania's independence. This attitude was quite recently confirmed in an official declaration of the Italian Ministry of Foreign Affairs (May 7th) stating that “Italian policy towards Albania could be embodied in these three points: Liberty, Integrity and Independence.”—Yours faithfully,
F. ANTINORI
Italian Embassy, London, W.1

Kenya's Future

SIR—Far from being blind to the necessity of adopting a constructive policy towards the future, as you suggest in your Note of August 8th, many of the settlers were, even before the present emergency, putting forward schemes for the improvement of living conditions in the African areas. The Electors' Union of Kenya, a settler body of which I was for some time executive officer, has for a long time been urging the adoption of comprehensive measures for Kikuyu rehabilitation. As long ago as 1946, upon the advice of a prominent District Commissioner, carefully thought out schemes for African village settlement, on lines very similar to the system subsequently adopted with notable success in Malaya, were submitted to Government and a memorandum on the subject was put before the Colonial Secretary of the day. These schemes are included among other memoranda being submitted to the Royal Commission by settlers.

For some time, the European elected members have regarded the working out of a future policy as being of primary importance. Mr Michael Blundell stated at a public meeting recently that a future policy programme is already in being and will be produced when the time is opportune.—Yours faithfully,
R. E. KENDALL WARD
London, W.1

THE CASE OF THE TRAFFORD TILE



Asbestos-cement tiles like this were used to roof a whole group of factories (a Burroughs one included) near Glasgow. If the stock control system in a Manchester office had failed, some components might not have been at the right place at the right time...

The factory roof had to be assembled in the office!

SOME TIME AGO, Turners Asbestos Cement Co. Ltd., a member of the Turner & Newall Organization, found itself with a pressing stock-record problem. The company's six factories turn out all manner of asbestos cement products, large and small, and, at the central office in Manchester, the management was finding it increasingly difficult to handle a rising volume of stores transactions. In operations that needed most accurate co-ordination (as in the distribution of supplies of roofing in Scotland) day-to-day knowledge of the exact stock position and location became imperative. Were all the components on the spot? Were there hook-bolts enough to secure the tiles?

It was at this point that the collaboration of the machine-accounting specialists of Burroughs Adding Machine Limited was invited to assist in solving the problem.

After investigation Burroughs suggested the installation of their latest Multiplying-Accounting Machines at

the Trafford Park Works of Turners Asbestos Cement Co. Ltd. By use of these machines, Purchasing Orders, the Stores Ledger and its Journal Audit proof sheet could all be calculated, extended and posted automatically—stock balances for all the six factories appearing at a glance on one card.

Result: The Stores Accounts system now gives a continuing picture of the exact position in all the factories. The Chief Stock Controller can tell at a glance the value of total stock and the stock balance at any plant. This system, with its absolute proof of accuracy, makes ordering and controlling possible far in advance of requirements.

What about you? If your business could benefit from faster and more 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.

Call Burroughs today. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service offices in principal cities round the world.



At work on the Stores Ledger for Turners Asbestos Cement Co. Ltd., is Miss Lilian M. Hopson. She is using one of the Burroughs Multiplying-Accounting Machines that helped to solve the Case of the Trafford Tile.

For expert advice on business figuring

CALL IN Burroughs





Indispensable cardboard

We all use board. It is part of our modern way of living. The man in the street calls it "cardboard" and takes for granted the ubiquitous cartons and fibreboard packing cases which play so vital a part in protecting and delivering his food and other necessities. Similarly he ignores the binding on his books and the wallboard in his home. But where would he be without these things?

Making "THAMES BOARD"—and "FIBERITE" packing cases—is the business of Thames Board Mills Ltd. This unique organisation—the largest of its kind in the British Empire—has increased its productivity fifty times in fifty years. Half the immense quantity of packaging board made in this country comes from the two mills of Thames Board Mills Ltd—a worthy example of essential service to the nation.

THAMES BOARD MILLS LTD
PURFLEET, ESSEX

Manufacturers of

"THAMES BOARD" for cartons and other uses;
"FIBERITE" Packing Cases; "ESSEX" Wallboard
(Mills at Purfleet, Essex and Warrington, Lancs)

TB2-1824

THE COST OF DRYING THINGS

Millions of tons of fuel are used in Britain every year in drying processes, many of which are inefficient and wasteful.

When coal was cheap no one worried unduly, but today the cost of fuel used in drying is a serious expense item which tends to get buried in general overhead without receiving the close control given to economy of raw materials. Furthermore, many drying processes are as ineffective as they are extravagant.

Eight years ago, we started a specialised service to the Metal Goods Industries by providing Gas Infra-Red Tunnels for drying paints and varnishes. Today our techniques have wide application as varied as those employed in fish curing and textiles.

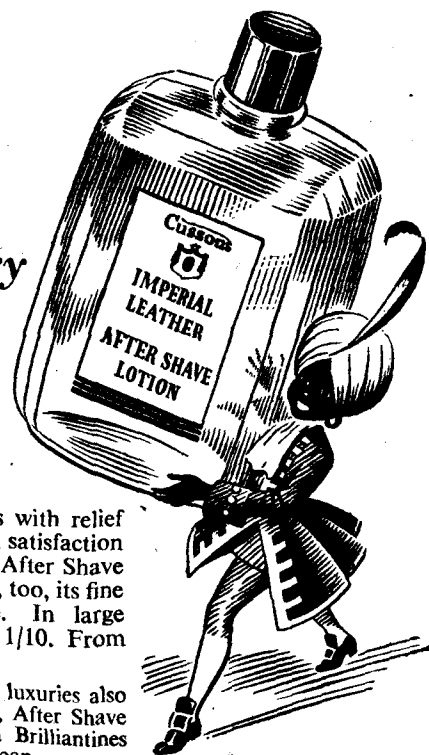
We are ever looking for new drying problems to solve. Nearly every industry has one. Send yours to:

PARKINSON & COWAN GAS METERS
(A DIVISION OF PARKINSON & COWAN LTD)
ENGINEERING DEPARTMENT (E)
Cottage Lane Works, City Road, London, E.C.1
Telephone: Clerkenwell 1655

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. In large size at 3/2 and Junior 1/10. 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

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 Score

Washington, D.C.

WHILE the Democrats have found life in opposition pleasanter than they had expected, the Republicans have discovered that the fruits of victory are much less appetising than they looked from a distance. When the first session of the Eighty-third Congress ended, neither the Administration nor the Congress was praised with much enthusiasm—even by their most fervent supporters in the press. *Business Week*, for example, which is edited by one of Mr Dewey's ablest advisers and which supplied the White House with its economic expert, found the record "not impressive" and the *New York Times* said: "It certainly leaves a great deal to be desired." The Luce magazines became more personal, with *Life* publishing an attack on Mr Roger Kyes, the Deputy Secretary of Defence. And Mr Joseph Harsch of the *Christian Science Monitor* called attention recently to the "widespread, almost universal, really appalling decline of European confidence in American leadership."

Nevertheless, if one concentrates on the domestic picture, General Eisenhower and his Cabinet seem to be, at the moment, in the position of a team which, with the help of some luck and a few desperate stratagems, and despite some missed catches, finds itself level at the end of the first innings. No advantage has been won, but no fatal mistakes have been made and everything now depends on the second innings. There is no harm, however, in pointing out that the Republicans could have made better use of winning the toss and reminding them that they will have to play the rest of the match without Hutton. For it is still impossible to say for certain how serious the loss of Senator Taft will prove to be.

Mr Walter Lippmann has described the last few months as an experiment in making the Presidency into a constitutional monarchy, an experiment which called for someone to fill the role of party leader and Prime Minister. Mr Taft tried to fill it—something that no Senator has ever done before—and yet, even with his unique position in his party and his great experience, the experiment had, in Mr Lippmann's view, been working very badly. Now Mr Taft has gone and the President is, as far as his theory of government is concerned, back where he started. Much of what he has learned during the past session is irrelevant to the next one because the key to many of his successes and failures is no longer there. Mr Lippmann thinks that Mr Eisenhower now has no choice but to recognise the facts of American political life and the nature of the Presidency

and to use his enormous personal prestige to recover and to exercise its powers.

Much will depend on the attitude of those members of both Houses of Congress who, in the past, followed Mr Taft blindly. If they decide to follow General Eisenhower, as the only alternative, and to do so equally blindly, it will not only be easy for him to assume the leadership; it will also be hard for him not to do so. If, on the other hand, the tendency of legislators to stick together reasserts itself, the leadership of much of the Republican party in Congress might pass into dubious hands. Among the possible leaders, there are none who could fill the role assigned by the President to Senator Taft and few with such sturdy beliefs. A wave of sorrow was felt at his death by many who regularly found it necessary to complain of his opinions.

Mr George Orwell once pointed out that Rudyard Kipling was further from being a Fascist than the most humane or liberal person is able to be nowadays. The same was true of Mr Taft. Though he was born a quarter of a century after Kipling, he seemed sometimes to possess even less of a contemporary mind. It was, indeed, his inability to understand the nature of Fascism that led him to many of his more curious statements on foreign affairs. His undeviating opposition to Communism was more of an opposition to the Socialist content of the Marxist philosophy than to the idea of totalitarianism, which remained unreal to one who had the luck to be brought up in the United States at the beginning of the century.

★

Many of the Republicans in and out of Congress who accepted Mr Taft's leadership to a greater or lesser extent also look upon Socialism as the true enemy, though they have not the innocence, or the excuse for innocence, of what totalitarianism means. Only a few days after his death Mr Scott McLeod, that strange figure who, as Mr Dulles's security officer, possesses, and exercises, powers of official life and death over what is left of the Foreign Service and the State Department, told the American Legion of the State of Kansas that Mr Norman Thomas, long the Socialist candidate for President, had made the "astounding statement" that there had been Socialists who had worked "honourably" in the State Department. Mr McLeod's reply was that he would never knowingly employ a Socialist in a policy-making position, that he was opposed to retaining any who were employed and intended to remove them. It is a pity that the accident of timing robbed the

world of the spectacle of Mr McLeod standing with a flaming sword to stop Mr Ernest Bevin from entering the Department's door.

Mr McLeod is, in fact, prepared to go even further; he asserts—an assertion that cost Mr Dulles an uncomfortable ten minutes at a recent press conference—that he has the backing of his superiors for his intention to replace any “individual who cannot be re-educated along Republican lines.” The question that this statement inevitably raises is “What Republican lines?” The gulf between the party's moderates and its right-wing extremists is possibly the clue to much of the disappointment felt by Eisenhower-before-Chicago Republicans at this stage in the Administration's career. The President's passion for compromise, and the fact that his reputation was built on his almost unique ability to bring quarrelling factions together, has led him, in many cases, to the curious course of appointing the avowed enemies of his policies to carry them out.

It is probably no accident that those heads of departments and agencies, Mr Humphrey and Mr Stassen, for example, whose advisers all came from the Eisenhower wing of the party, are precisely the men who seem to know what they are doing. They never find themselves in the kind of embarrassing situation that is becoming common in Mr Dulles's life since he allowed the Bridges-McCarthy wing of the party to provide him with Mr McLeod as his Administrator of the Bureau of Security, Consular Affairs and Personnel. A party that has been out of power for twenty years must be given the chance to learn, even if it makes its own task harder by refusing to use any of the experience accumulated during that time. The muddles and indecisions of the last six months will not have been in vain if the moral of Mr Dulles's difficulties has been driven home.

The *Washington Post* recently congratulated the President on the exposition of his “middle-of-the-road” philosophy which he gave the Governors' Conference at Seattle, but there is more than one way of going down the middle of the road and more than one road to go down the middle of. Too often this Administration has suggested that it is not sure which road it is on and has seemed to think that the best method of progress is with one foot on each pavement. Otherwise the President's statement that he did not “give a hoot whether a Democrat or a Republican is in this kind of job, we are all Americans” would not be denied a day or two later by one of his underlings.

The Philadelphia Formula

FROM A CORRESPONDENT IN PENNSYLVANIA

ONE of the most obvious, if one of the least lovely, elements in “the Roosevelt coalition”—that combination of political forces upon which the two decades of Democratic rule were based—was the power of the big city bosses. From Chicago to Memphis, in Boston as in Pittsburgh, the voters were organised by long-established “machines,” based on patronage, on the kind of informal (and inefficient) social services typified by “Christmas baskets for the poor,” and on a judicious attention to the special needs and aspirations of the various minority groups, national, racial and religious, which, taken together,

comprise the great majority in most big American cities.

The primary function of these Democratic machines was to control the municipal government; the interventions in national politics which helped to roll up heavy urban majorities for Mr Roosevelt and Mr Truman were by-products of the system. Inevitably, there was a tendency to corruption in these machines, a tendency carried to flamboyant extremes in such notorious places as the Jersey City of Boss Hague or the Kansas City of the Pendergasts. Corruption survived because of the citizen's chronic habit of underestimating the importance of local government, and his despairing conviction that politics, at least at the municipal level, was a dirty business at best.

Occasionally a wave of reform in a city overthrew the old machine, but usually the amateurs who form the backbone of such movements soon became weary of the unfamiliar effort of politics, or were outmanoeuvred. In New York City, the late Fiorello LaGuardia was a sensationally successful reform mayor, but he made the mistake of thinking that the dragon was slain, and so failed to build up a political system capable of beating off the inevitable counter attack; as a result, once LaGuardia was gone, the dragon revived.

★

The one metropolis in which reform never seemed to stir was also the one in which the old machine happened to be Republican, not Democratic. This was Philadelphia, where the government had not changed hands (except through human mortality) for 67 years. The impoverished, vice-ridden “river wards” (slums by the Delaware River) regularly turned in mechanical majorities for the cynical bosses in City Hall. Such Democratic organisation as there was lived parasitically on the crumbs from the Republican table, on petty favours bestowed as insurance against any quixotic attempts to upset the profitable system. The confusion of the city's finances was a standing invitation to graft; the water supply was so foul as to be a national joke; the police had become specialists in the art of looking the other way; and businesses shunned Philadelphia because of the high cost of appeasing the political incubus of City Hall.

It was this last point that finally turned the tide. In the late nineteen-forties a reform movement grew up of which the core was the hard headed business community of the city. Bankers, industrialists and corporation lawyers found themselves in the unusual position of planning the downfall of a Republican administration. The old regime tottered; there appeared the tell-tale sign of “reforms” from within the machine, designed to head off real reform from outside. Finally, in 1951, the revolution came. In April, a new city charter, the fruit of two years' work by an able commission, was approved by the voters by a two-to-one margin. In November, the Democrats, enjoying the support of both of Philadelphia's leading newspapers—the *Inquirer* backed a Democrat for Mayor for the first time in its 123-year history—swept into office with the aid of countless votes from Republicans who felt that this was the one way in which their own party might at last be forced to clean house in earnest.

The new charter gave the Mayor strong powers, with an integrated administration, regrouped departments, clear lines of authority and, above all, real freedom from the meddling of ward politicians on the City Council. It also established as many safeguards as humanly possible for

sound finance, with clear-cut responsibilities, and compelled the auditing of accounts by an independent body. Guarantees of efficient public service were also set up; the civil service commission was no longer to be nominated by the City Council, but by the Mayor, and chosen from a panel named by such non-political figures as the President of the University of Pennsylvania and the heads of local business and trade union groups; the commission was allotted a minimum percentage of the total city budget, to prevent financial starvation by City Councilmen interested in enfeebling the non-political civil service.

Since taking office in January, 1952, the new city administration has worked hard and accomplished much. Merely to put the new charter into effect required a major reorganisation of almost every branch of the government. But serious dilemmas have arisen. Shall the new government concentrate on climbing out of the deep financial hole which generations of irresponsible practices have dug? If so, what about the badly needed physical improvements which would make Philadelphia water both potable and palatable, would bring the road system up to date, might even clean up the river wards so that political plagues would no longer flourish there? Too much financial probity may mean too few social services, and voters might then feel that even a return to Christmas baskets was worth while.

Again, how can the extension of civil service practices, with their firm prohibition of political activities, be prevented from destroying the basis of political support for the new regime? If the men and women most vitally interested in maintaining good government are kept muzzled in this way, will the field not be left to the “old gang” who are already working at the state capital in an attempt to undermine the charter by restoring part of the patronage system?

★

The reformers have tried to find substitute methods of building up strength at the polls, to replace the old, personal method of relying on those who have jobs with the city, or hope to have them. The highly personable Mayor appears regularly on television and his first annual report came out as a Sunday supplement to two major newspapers, instead of being enclosed in a glossy but narrowly distributed booklet. Efforts are being made to enlist the collaboration of citizens, individually and in local groups, on various local problems. But unfortunately there are indications that these techniques are inadequate. The administration recently failed to secure approval, in a city referendum, of a bond issue needed for certain capital projects. Some of the experienced politicians connected with the new administration may be doubting the practical wisdom of the reformers' oft-repeated slogan: “Good government is good politics.”

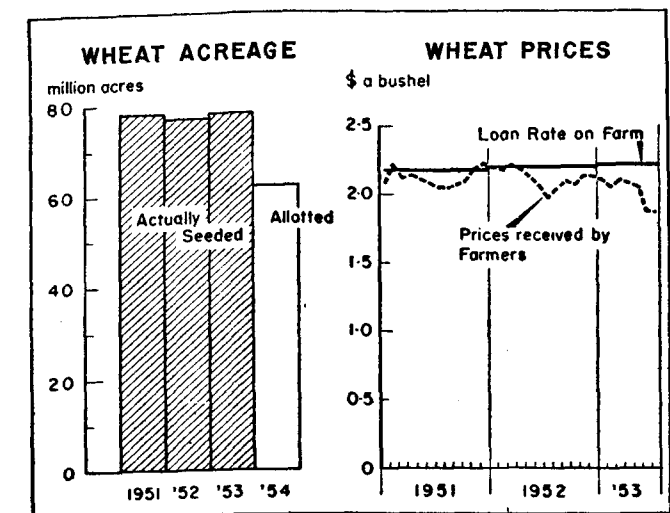
To the far away politicians in the Democratic National Committee, however, the Philadelphia revolution seems to point the way for the moribund party machines in other cities. The huge majority given to Mr Adlai Stevenson in Philadelphia last year was in marked contrast to the general picture of defeat. Mr Steven Mitchell, the Democratic National Chairman, is trying to spread the idea that Philadelphia provides a new and honourable formula for maintaining Democratic strength in the cities. Certainly the old machines are as obsolete as the gas lights that still burn in many a Philadelphia alley. But the new way will be infinitely harder to sustain, as well as to manipulate.

American Notes

Wheat Plays Safe

WHEAT farmers, voting on price support policy for the first time in more than ten years, have turned a cold shoulder to the Administration's argument that there should be less federal control on the farm, but they may have saved it from a sharp rebuff at the polls next year. By a majority of more than 87 per cent, the growers voted to accept restriction of their plantings through marketing quotas rather than to forgo the government's high supports for wheat prices. A national acreage allotment for next year's crop of 62 million acres has already been set; this is about 20 per cent below this year's plantings. But only when the farmers themselves approve the imposition of marketing quotas can individuals be fined for exceeding their share of the allotted acres. In return for accepting this restriction (which need not be as drastic as it sounds, for farmers are free to intensify their production) the government will support wheat prices next year at 90 per cent of parity, the price which it is calculated gives the farmer a fair return.

If more than one-third of the farmers voting had rejected marketing quotas, there would have been no effective way of enforcing lower plantings, and the support price would



have fallen to 50 per cent of parity, an abrupt decline from a support price of \$2.21 at the farm to about \$1.21 a bushel. With wheat prices already driven down 30 cents or more below the support level, through lack of storage space and speculators unloading, and with the prospective wheat carry-over the largest in history, farmers refused to take a risk.

Theoretically, this is a blow to the Administration and to Mr Benson, the Secretary of Agriculture, who quite rightly dislikes the high support prices which invite overproduction and believes the farmer would like to stand on his own feet. Mr Benson probably would prefer the flexible price support system which is scheduled to replace the

present 90 per cent guarantee for the six basic commodities at the end of 1954. But twice already Congress has postponed its coming into operation, as too great a gamble with the farm vote in an election year; it may do so again.

Advocates of the present high levels of federal aid naturally welcome the wheat referendum as a renewed warning to the Administration that it will tamper with the *status quo* only at its peril. But in fact the vote was not necessarily a fair reflection of even the wheat farmer's attitude toward more flexible supports; a drop to 50 per cent of parity would be much more drastic than anything contemplated by the reformers. The Administration, indeed, may be thankful that the wheat farmers have refused to take the full plunge into a free market in an election year; farm distress might mean the difference between a Democratic and a Republican Congress in 1955.

Budget Operations

THE public is now being given almost daily bulletins on the health of the budget, with details of how the army has stopped buying new brooms, government roofs are going unrepaired and Mr Dodge, the Director of the Budget Bureau, is paying official visits by taxicab instead of government-owned Cadillac. Unless some \$2 billion can be saved by such economies during the next three months, the government will find itself without enough money in hand to pay its bills, until the till is replenished by next spring's heavy tax collections, and without authority to borrow

"Guess What — Again"



Herblock in the Washington Post

enough to see it through. If that happens, Congress will have to be recalled to Washington to raise the ceiling on the national debt. It refused to do this before leaving, but could hardly refuse a second time, especially if convinced that there is no alternative by the Administration's much-publicised attempts to cure itself.

The crisis in this particular attack of deficit fever is expected about September 15th, which is also the date by which government departments must prepare themselves for a more serious operation, the drawing-up of the 1955 budget for the year beginning in July, 1954. This must be presented to Congress in January and has particular importance as the first for which the Republicans will have full responsibility. Mr Dodge has notified all government agencies, to their distress, that he will expect deep cuts in their estimated expenditure for 1955, going even further than those on which he and Congress insisted in the first flush of victory.

The economies necessitated by the borrowing crisis are to be continued and extended in order that adjustment to next year's reduced appropriations may not be too sharp, and agencies have been warned that no requests for supplementary appropriations will be considered. Most of 1955's savings are evidently to come from those government activities which were spared this year because the new Administration had not had time to review them. The first job of the new Chiefs of Staff, for example, is to review long-term contracts for weapons to decide where reductions can be made, and shipping and airport subsidies are, it is said, to be cut by 25 per cent. Departments are being urged to live out of their store cupboards instead of buying new supplies, and to sell off mortgages whenever possible in order to raise ready cash.

Here again government saving is being stressed partly because of its psychological effect on Congress. Even with all these economies, the only hope, and a faint one, of balancing the budget next year, and of avoiding another borrowing crisis in the autumn, rests in keeping corporation and excise taxes at their present levels, instead of allowing them to go down, as scheduled in April. The President has already asked Congress to deal with this, without success, and Mr Reed, who held up the extension of the excess profits tax in the House Ways and Means Committee for so long, is likely again to be adamant. He is interested only in a reform of tax legislation as a whole, on which his committee has just completed hearings and which would in practice almost certainly mean a general lowering of the tax level.

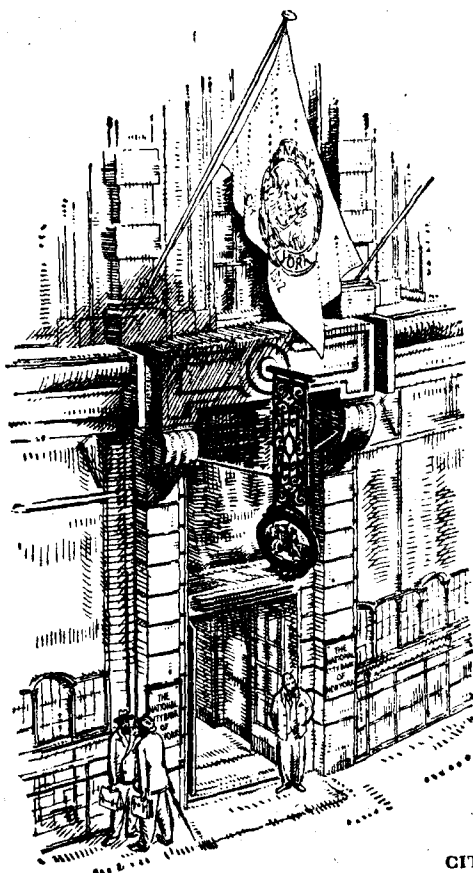
Carpenters Saw Themselves Off

THE path to labour unity is strewn with pitfalls. The executive council of the American Federation of Labour, at the same meeting at which it voted to suspend the longshoremen in order to force decent elements in the trade union to oust its discredited leadership, also voted to approve a "no raiding" agreement with the Congress of Industrial Organisations. No sooner had it done so than the carpenters and joiners, 600,000 strong, seceded from the AFL, protesting that jurisdictional disputes inside the AFL were quite as troublesome as those between

the members of the two great labour organisations, and that internal differences should have been settled first.

It is not likely that the carpenters' quarrels with the plumbers, iron workers and cement workers will be settled any more easily from outside the AFL. Indeed, in New York City it is feared that the building boom may be crippled by a series of jurisdictional squabbles, now that the powerful carpenters are free to press home their argument that "if it ever was made of wood, it belongs to us." Elsewhere, the prospects are not so gloomy, but the trade unions in the building trades have been irritated by a new provision in many labour contracts which permits maintenance and even construction work to be done by permanent employees and freezes out professional building workers.

There have been rumours for some time that Mr John L. Lewis was plotting with discontented unions, the steel workers in the Congress of Industrial Organisations and the carpenters and teamsters in the AFL, to set up a third federation before the slow moving CIO and AFL could compose their differences and leave him out in the cold. This may not have anything to do with the carpenters' secession, but the AFL council has moved swiftly, to bind its nearly 10 million members more tightly together. The carpenters' withdrawal left a vice-presidency vacant. It was immediately filled by the appointment of Mr Dave Beck, president of the Teamsters Union, which, with its 1,250,000 members, is one of the most powerful in the country. Mr Beck now insists that he never had any intention of eloping with Mr Lewis. The council also recommended that two other vice-presidencies be created, to make room for the heads of other powerful affiliates and convince them that their membership is valued. The AFL may perhaps be stronger than ever now that its new leadership has shown itself able to deal promptly and effectively with threats of secession.



Trade follows this flag.

In every corner of the world, wherever trade is possible, the flag of The National City Bank of New York symbolizes the march of commerce.

The National City Bank provides the means of making trade easier, safer, and more profitable. In a world of complex and changing regulations it offers business men an invaluable service: up-to-the-minute knowledge of trading conditions in all parts of the world.

The National City Bank provides this service through its network of 57 branches in 19 countries, and through its banking correspondents in every commercially important city in the world. The London branches of the bank offer, as well, an intimate knowledge of trade with the dollar countries.

A visit to The National City Bank of New York will always ensure the speedy and successful transaction of your business.



THE NATIONAL CITY BANK OF NEW YORK

(ESTABLISHED 1812)

Incorporated with limited liability under the National Bank Act of the U.S.A.

HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES:

CITY: 117 OLD BROAD STREET, E.C.2 WEST END: 11 WATERLOO PLACE, S.W.1

More Aid for Age

WHILE Congress is in recess, the Ways and Means Committee of the House of Representatives is doing some homework on social security. Although in February he asked for legislation this year, the President only made his views known in detail in July during the very last days of the session. He wants to add to the 47 million already covered by the Old Age and Survivors' Insurance system another 6½ million professional workers, casual farm labourers and part-time domestic servants, and to give a further 4 million—state and local government employees and clergymen—the chance to come in if they want to.

The committee chairman, Representative Reed of New York, has made it quite clear that he does not favour piecemeal legislation, but wants to review the whole social security position. Despite successive extensions of coverage the insurance system still falls short of providing a single method of giving security to the old, without means tests and with benefits related to past effort. It operates by means of a payroll tax levied at an equal percentage rate on employer and employee. The money goes into a trust fund, from which pensions are paid according to average monthly earnings during employment. Inflation has driven down the value of these pensions and has driven many states to put up old-age assistance payments, which are non-contributory and involve a means test; thus the whole principle of the insurance approach to social security is undermined because there are pensioners at the lower end of the insurance scale who qualify also for assistance.

The present system is also under attack for not being a genuine insurance scheme at all, because the trust fund is

actuarially unsound. Suggestions have been made for doing away with the trust fund and basing payments frankly on current taxation. The US Chamber of Commerce would keep the payroll tax and the grading of pensions according to past earnings, but would balance income and expenditure in an annual social security budget. It would cut out federal subsidies to the states for old-age assistance, but would relieve the demand for such assistance by charging up to the payroll tax a flat rate pension for all those over 65 who have already retired without being covered by insurance. A more radical plan, associated in the past with the name of Representative Curtis, a Republican from Nebraska who is chairman of the social security sub-committee, would abandon altogether the attempt to relate pensions to past earnings, and would raise by a special income tax the means of paying out a flat rate pension to everyone reaching 65. But whatever principle Congress decides to work on next year the basic problem may still be to fix pension standards that are not immediately overtaken by the cost of living.

Oil on the Shelf

THE passage last May of the Submerged Lands Act, the controversial first achievement of the Eisenhower Administration, was necessitated by the Supreme Court's decision that the paramount rights over undersea resources belonged, not to the states off whose shores these resources lay, but to the federal government. But it is unlikely that the Act, which gave the states the right to develop these resources within their historic sea boundaries, has meant the end of litigation.

For in the first place, while the historic boundaries are officially fixed at 10½ miles out to sea for Texas and Florida, which joined the United States by special treaties, and 3 miles for other states, there is still plenty of scope for argu-



ment as to exactly where the boundaries are. Should they be measured from islands and other points that stretch out to sea, or fitted to every indentation of a coast which, especially around the Gulf of Mexico, is very irregular? In the second place, states with no coastline, led by Arkansas, are challenging in the courts the right of Congress to give away to the inhabitants of a few states a resource—undersea oil—that seemed, from the Supreme Court's decision, to belong to all American citizens.

The political damage which might be done by the charge that a national asset has been dissipated probably explains why the Eisenhower Administration put its weight behind the supplementary Act which gives the federal government

the right to grant leases for the development of mineral resources between the historic state boundaries and the edge of the continental shelf. Without this Act, which also has international importance as the first piece of legislation specifically devoted to the area beyond the usual three-mile national limit, such states as Texas and Louisiana would certainly have been pressing for control over oil rights out to the edge of the continental shelf. For in the Gulf of Mexico the land slopes off gradually for a long distance, sometimes over 150 miles, before it drops suddenly into the deep sea, and two-thirds or more of the potential underwater oil-bearing lands are thought to be beyond the state boundaries.

In fact, for Texas and Louisiana the Submerged Lands Act was not such a victory as they thought and they tried to recoup themselves by demanding that states should be allowed to tax minerals produced from the sea beyond their boundaries. This was refused but, to many people's regret, the Act dealing with the shelf does not, as the Senate tried to insist, provide that the royalties earned from the development of mineral resources shall subsidise schools in all the states. Instead these royalties, which are unlikely to be substantial for some time, will go into general federal revenues. Nowadays it is regarded as bad budgetary practice to earmark funds for special purposes, although it is an American tradition, to which the land grant colleges owe their existence, that revenues from public lands should be devoted to education.

SHORTER NOTES

The Senate, by standing firm, forced the House to accept all the safeguards against monopoly which the upper house, prodded by the Democrats, wrote into the Bill authorising the sale of the government's synthetic rubber plants. Congress will have the power to veto individual sales, as well as the whole disposal scheme, though only if the remaining plants being sold are capable of producing at least 543,000 tons of synthetic rubber a year; and the Attorney-General will be required to state formally whether the plan is likely to result in violation of the anti-trust laws. The commission must submit its work to Congress for review by January, 1955.

Secondary school pupils of the present generation are more learned than their parents were, and boys are better at reasoning than girls, reports a masculine official of the National Education Association. After a contest to find the brightest high school student of the year, the official stated that girls consistently received lower marks in the tests because they were "too conscientious."

A new method for selling nylon stockings and the powder to wash them with has been devised by two leading manufacturers of these products. The American housewife posts \$1 with the box-top from the washing powder to the hosiery company, and receives in return "a pair and a spare"—three stockings of the quality usually sold for \$1.25 a pair in retail shops; she thus saves 85 cents, and annoys the regular dealers in stockings.

The World Overseas

Germany's Economy Before the Elections

A FLOOD of money is seeping through the German economy as a result of the continuous excess of exports over imports. With every increase in trading surplus the central bank's reserves grow, and more money is set flowing. It is estimated that DM250 million a month is being let loose into the circulation and no certain end to this process is yet in sight. The *Bank Deutscher Länder's* reserves of gold and foreign exchange reached a record of \$1.4 billion at the end of June and are still increasing. At present, the bank has no way of freezing this money and nobody can decide what measures can be taken to counteract its possible inflationary effect. The discount rate has already been lowered to 3½ per cent and—not for the first time—the bank has lost its power to affect the cost of credit.

This loosening of credit is, of course, a familiar form of stabiliser that classical economists believed would prevent an external surplus from growing too large. But in the present circumstances of Germany it may be undesirable to foster an increase in internal spending. The surplus in foreign trade is largely because the terms of trade have turned sharply in favour of Germany, as of its main industrial competitor, Britain. The volume of imports is no lower than it was, but they are some 10 per cent cheaper than at the time of the Korea boom, when Germany became a large debtor.

Towards a Convertible Mark

Some of the contending pundits forecast that the situation will right itself, generally speaking, through the seasonal increase of imports in the autumn, though the start to it will be made in the transfer of payments under the London debt settlement, and the shipment of reparations goods to Israel. Other German economists believe that more could and should be done. On the face of it, the Germans could quite well afford to transfer profits on foreign investments, which are estimated at about DM 12 billion, as the maximum annual amount would only be some DM 500 million. But the Ministry of Finance in the outgoing Adenauer government is exceedingly anxious about the amount of blocked mark investments that might flee the country if any generous move were made to lift the ban on transfer—and still, more, if the mark were to be made fully convertible. The danger exists that the amount of blocked marks (now over DM 1 billion) would grow if it were thought that transfer would be permitted in future, because the London debt settlement provided for creditors to take payment in

full in blocked marks rather than reduced payments in foreign exchange.

In some German economic circles, however, there is strong support for a bold policy which would enhance confidence in Germany as a country for safe and profitable investment. At the moment, however, it seems that the cautious group will win; the only offer that will be made to the next meeting of the Organisation for European Economic Cooperation in October will be to transfer earnings on investments made before Dr. Schacht introduced his restrictions—that is, before 1931. The small value of this offer would be lost altogether in the welter of bureaucratic complications involved in sorting out investments.

The financial authorities wish to do nothing that might affect the hardness of the *Deutschemerk*, because they are taking one step after another to free it. The latest move was made last week, when official quotations of the dollar-mark exchange were returned to the commercial market. A number of other regulations have been made in the last few months as small but sure steps towards convertibility. Clearly, it is the intention of the officials to see how the mark stands this exposure to freedom before they make any adequate offers to foreign investors. One factor makes their caution understandable. The German public, after the experience of two inflations in thirty years, is particularly sensitive to fluctuations in the value of the mark against the dollar.

One school of thought holds that the German export surplus should be made the opportunity of increasing imports. The professors who form the economic advisory committee attached to the Ministry of Economics are not content with the present cheap money as a means of fostering imports. They advocate, vaguely, increased credit facilities for consumers, in order to right the balance of payments. This advice is in line with the policy of Dr Erhard, the outgoing (and perhaps, after the elections, incoming) Minister of Economics.

Free Trade and the Mark Gap

Dr Erhard advocates a policy, described in *The Economist* on April 11, 1953, which would resemble that of free-trade Britain in the nineteenth century, with modern improvements. Many of his supporters would like to see the high German tariff reduced in order to allow German consumers and industry to benefit from cheap imports. A high German tariff was fixed for the GATT conference at

Torquay with the idea of bargaining over a lower level; but, in the event, less bargaining took place than was expected, and the tariff remained high.

The plea for lower duties is naturally opposed by the farm bloc, which is already standing in the way of increasing the very high degree (over 90 per cent) of liberalised imports, but if Dr Erhard is in the Ministry of Economics after the September elections more will be heard of his campaign for enlarging the European steel-coal pool to a complete *Zollverein*.

German economists, officials and exporters are all agreed that one aspect of the foreign exchange surplus is disquieting. This is the large amount of forced credits that Germany is giving to various countries with which it has bilateral clearing accounts. Germany is owed about \$200 million by fourteen of the seventeen countries in this category, in which Brazil leads with a debt that still amounts to \$95 million. Various methods of working off these debts are being considered, or put into effect. Brazil is being asked to return confiscated German property; German firms are being established in Brazil and other South American countries, sometimes in conjunction with local enterprises; the German coffee duty has been cut and re-exports fostered in coffee and other commodities; low-quality Turkish wheat is to be bought (if German traders will fall in with the government's wishes).

In general, the principle is being followed of not cutting exports to debtor countries but increasing imports, and to a certain extent, investing overseas. But it is recognised that the underdeveloped countries have a "mark gap" which remains to be closed. One proposal that has been fostered by Dr Schaeffer is that the International Bank should grant mark loans to underdeveloped countries for spending in Germany and the Bank has taken this course in a loan to Turkey.

Crying in Vain for Capital

The problem of over-liquidity could be solved if the public would invest in industry; but, though there is money, money everywhere, German business enterprises are still crying in vain for risk capital from the public. To the great annoyance of the strongly anti-socialist German business world, the state and public bodies continue to scoop the pool with tax-free bond issues that give a yield equivalent to anything up to 20 per cent. It is obvious that the public, which has in any case never been a large investor in shares, will not look at less safe and remunerative offers from private industry while the state is so generous and private companies pay such small dividends. The state is, of course, also blamed for the low dividends. Though corporation tax on profits distributed as dividends has been halved, this concession is regarded as negligible and the pressure for complete abolition of the tax is strong. It is, however, doubtful whether the German industrialists would easily take to the practice of paying out handsome dividends, as long habit tends to make them plough back every available penny into their business. Nor can Dr Schaeffer or his successor rightly be blamed for raising loans in the market. His budget deficit for 1953-54 is much larger than he had bargained for, as the *Bundestag*, in the last hours of its existence, gave a disgraceful display of pre-election irresponsibility by initiating bigger payments to various groups of citizens. With prices stable and public saving, particularly for

housing, at a higher rate than before the war, it cannot be said that there is any immediate danger of inflation in Germany. But it is clear that the Germans are straying from the strait path of anti-inflationary virtue, and are giving way again to the national tendency to illusions. By paying out large sums on all hands—to people whose savings were cut in the currency reform, to the sufferers from any form of war losses, to all the officials of Hitler's Greater Germany—they are behaving as if the war's inroads on German wealth could now be forgotten. This trend will undoubtedly increase if a Socialist government comes to power after the September election. German industrialists dread that possibility; there will then be little hope of reduced company taxation and increased dividends to attract investors, for to the Socialist mentality (and indeed that of the Nazis) there is something disreputable about dividends. With Socialists in the Ministries of Finance and Economics the capital that is so urgently wanted will have to come at second-hand *via* the state, and the price, it is feared, will be State control, or outright ownership of at least the basic industries. German competitive power is not likely to increase to the same extent as hitherto should the poll on September 6th show a victory for the left.

France's Economic Ills

By next week the French National Assembly will probably have to take position in the conflict between the government and the workers. Having received 218 telegrams asking for its recall (the Constitution lays down 209 as the minimum) M. Herriot, the president of the Assembly, is unlikely to wait for handwritten signatures before interrupting the deputies' holidays. What part will Parliament then play in this trial of strength? It had given M. Laniel's centre-right government special powers to legislate by decree. Will it now withdraw them under outside pressure? Hitherto the Assembly has not given proofs either of courage or of consistency. An attempt will probably be made to coax M. Laniel into withdrawal or to force him to resign. A centre-left coalition could then try to ride over the immediate dangers by an inflationary dose of higher wages and a cut in the cost of foreign commitments. Yet the immediate troubles—the trade gap and a budget deficit amounting to Frs. 700,000 million for the current year and to some Frs. 870,000 million for the next—are only symptoms of a deeper economic illness. Sooner or later a French government will have to go *à la recherche du temps perdu*.

It is strange how France, which has always stood in the vanguard of world intellectual and artistic movements, has tried to cling to the past in economic matters. Protection can only be justified as a shield for a growing economy; yet in France hot house conditions have too often been used as a protection for backwardness. Much has been written about it. Earlier this year this state of affairs was put in sharp relief in the report of the commission of experts appointed by the present finance minister—M. Faure—and headed by a potential centre-left premier, M. Mendès-France.

The agricultural system of small, inefficient holdings takes from 25 to 30 per cent of French manpower but cannot pay with its exports for French imports of agricultural products,

nor can it provide cheap food: the trade unions, whose pays almost no taxes, but gets strongly pro-Communist aid for agriculture, furthermore been the party of the obsolete form of production, *etc.* Its leader is Sutan of surplus wine and beetroots for ker in South East Asia; duction for which there is no mark; independence, he has of State protected fixed prices in a coué party has worked in yield are great offers a differentia, community, teach-farmers and at the same time artificially upholds marginal producers. Their income is sufficient to prevent an exodus to the towns, but it is not enough to enable them to introduce more modern methods of production. The maintenance of small peasant proprietors may or may not have been a conscious social policy, but hitherto it has failed to pay economic dividends.

Whatever solution is adopted—industrialisation or more intensive farming—other obstacles will have to be faced. A flow of people to the towns would come up against the appalling state of French housing. France needs about 20,000 flats a year just to maintain the present unenviable state of affairs, but it builds about one third of that amount at a very high cost. On the other hand, should agricultural productivity increase there is no guarantee that the benefits would be passed on to the consumer. Middlemen take their slice and the share of distribution in the national income, 16 per cent, is higher in France than in any other West European country. Multiple stores are prevented by law from disturbing the peace of small shopkeepers.

Survival of the Unfit

In industry all is not black. The basic sectors have been restored and developed under the Monnet plan. Yet, the sound foundations seem to have been laid beneath a derelict edifice. In industry, too, the pace and the prices are dictated not by large modern enterprises, but by the small men who have escaped the fiscal net. Economic activity is directed neither by the conscious choice of the planners nor by the incentives and penalties of a free price mechanism. The expert report mentioned above shows an economy in which perpetuation of privilege and the survival of the unfit are the unwritten principle.

Hence the achievements have not been proportionate to the costs. It is a fallacy to believe that Frenchmen do not pay heavy taxes. If payments for social services are included public expenditure accounts for some 45 per cent of the national income (defence alone accounting for about 10 per cent). The burden, however, is haphazardly spread. To the inequality of inflation must be added the iniquity of a fiscal system full of loopholes. Some are there on purpose, most have been made by unpunished fraud. The wealthy farmer is most favoured by the law; the trader has more opportunity for escape than the industrialist. The capacity for "clever" accounting has become an equivalent of efficiency. As long as this is tolerated it is idle to appeal to the spirit of self-sacrifice of any group. The workers, in particular, who have no such opportunities to escape taxation, view it all as deliberate bounty for the rich.

The total wage bill is now lower than before the war and roughly the same if social benefits are included. The number of workers and the hours of work, however, have risen. Thus, even taking no account of increased productivity, the average worker's hourly rate is now lower than in 1938. To this must be added the rash hopes raised after the Liberation and never fulfilled, the disgust with parliamentary antics and the mistrust of an executive

On most of these questions the Socialists and the small Christian parties have tended to support the Masjumi, or at least its progressive wing led by Mr Natsir and Dr Rum. The Communists have backed up the Nationalist Party, and the dozen smaller parties have lined up somewhat arbitrarily. It is, in fact, personalities who largely condition party decisions, and this has always been one of the weaknesses of Indonesian politics. A great deal of the PNI

spontaneous and in many cases the reform issue became on a moving train. In an economy prof... The servants feel that they are underdogs and are the... The sensitive about their compensating privileges. When they thought that their pension rights were being tampered with, they struck. The conflict spread immediately and a demand for higher wages was put forward. The argument that such a rise would soon be swallowed up by a general upward adjustment of prices is sound, but it holds no weight with the workers, whom successive governments have failed to convince that they can hope for any improvement without direct action.

Crippsian Austerity?

M. Laniel has up to now shown more firmness than diplomatic skill. He had been warned that a rightist government does not command the hearing of a large part of the working class. Yet, he asked for his intentions to be taken on trust. The whole batch of decrees was presented in such a way that it strengthened suspicions that the rich would be spared the axe. Otherwise few would quarrel with most of the decrees. M. Mendès-France, widely tipped as a possible alternative choice, would probably have underwritten them. Indeed, with the choice apparently lying between a centre-right and a centre-left coalition there is a certain amount of common ground. Yet, how far would the alternative leaders dare to go with their respective policies? Would a rightist leader, if he has not missed the bus for the time being, dare to tighten the fiscal system, to attack price rings and privileges before resorting to the price mechanism? Would a leftist premier attempt or succeed in imposing a regime of Crippsian austerity on France? The doctors would be unwise to rely always on time and the strong constitution of the patient. The recurrent crises are symptoms of more than an illness of the body politic. The Assembly has failed many a test in the past. Do the deputies realise that the prestige of parliamentary institutions in the country cannot sink much lower?

Epitaph for Planners

A SENTENCE in the recent quarterly bulletin issued by the United Nations Economic Commission for Europe suggests an appropriate epitaph for planners: "reality differed substantially from this planners' heaven." Indeed the whole article, which discusses postwar experiments in national income forecasting in Western Europe, is a monument to the futility of basing detailed national economic plans merely on intelligent guesswork. The tables in the article which show forecasts matched against actual results are reminiscent of an unsuccessful football pool coupon.

THE ECONOMIC AND POLITICAL SITUATION IN INDONESIA

BY A CORRESPONDENT

Torquay with the idea of bargaining over a lower level; but, in the event, less bargaining took place than was expected, and the tariff remained high.

The plea for lower duties is naturally opposed by the farm bloc, which is already standing in the way of increasing the very high degree (over 90 per cent) of liberalised imports, but if Dr Erhard is in the Ministry of Economics after the September election, committed to full employment, a campaign for enlargement has passed reconstruction has been completed; the supply of nearly all commodities has been rapidly increased; and signs of deficiency in demand have appeared, particularly in foreign demand. The assumption of full employment can no longer be taken for granted. As events have changed so has the scope and objectives of national budgets; for example, manpower budgets have been abandoned and detailed programmes of resource allocation have been dropped. Present-day national budgets are almost entirely in money terms.

Some Remarkable Errors

Of course these budgets in Western Europe do not in any sense compare with the five-year plans of Eastern Europe. The main difference is that East European countries have the means and the will to see that fulfilment of the plan is given the highest priority whatever the consequences in human misery. National budgets in Western Europe express rather the aspirations of the government, and its general objectives; yet this does not excuse the excessive divergence of fact from forecast in nearly all the examples reviewed in the article.

The planners did not have the best of luck; events such as the Korean boom and the 1949 American recession would have sorely tried the most prescient forecaster. But the estimates were so uniformly bad that one must seriously doubt their usefulness. The only consolation is that the planners were on the whole on the pessimistic side in their forecasts. Strangely enough, the planners were better at forecasting price changes than volume changes; they generally managed forecasts on visible transactions in the balance of payments better than invisible items; they were fairly successful in predicting the volume of investment; they tended to be hit-or-miss with productivity changes; reasonably accurate with forecast budgets of public authorities; and weakest of all in estimating consumption and saving. As a rule, forecasts of consumption and saving were obtained as residual figures and were thus subject to the most remarkable errors.

Enthusiasts for Model-Building

The record of national budgeting in Western Europe is not very promising. The ECE bulletin bluntly says: "In retrospect, the ambitions of some of the enthusiasts for model-building look somewhat ridiculous." What of the future? Obviously a first requirement is to improve and refine the methods of gathering statistics. The second is to ensure that the forecasts are freed of bias whether optimistic or pessimistic. The third need suggested by the bulletin is not so easy to accept: it is that more complex models are required in order to reduce "the number of points at which purely subjective judgment has to be relied upon." It is a terrible thought that the planners are planning their come-back aided by still more complicated—and presumably equally unreliable—tools.

housing, at a higher rate than that said that there is any immediate change of policy and it is unlikely that the present dangerous instability can only weaken respect for parliamentary democracy; far too much energy is being wasted on debating political issues instead of on constructive effort.

The present Indonesian Parliament is a nominated body. Members are appointed by the political parties in proportion to the estimated strength of the parties several years ago. The new government has indicated that it will take immediate steps to organise the long-promised general elections. What will happen when they do eventually take place has caused much speculation and not a little uneasiness. The last two coalitions have been a working partnership between the Moslem Masjumi and the Nationalist (PNI) Party. These two, with just under forty seats each, are the largest parties, but neither is strong enough to form a government completely on its own. Each of them, too, has a small group of dissidents of half a dozen members who have split away to form little parties on their own. There are three parties with about fifteen to eighteen members, the PIR which is a conservative party, the Communist PKI and the Socialist PSI. The two latter, as well as the Masjumi, are believed to be under-represented in Parliament so there may be some radical readjustment when the elections take place. Finally, there are a number of small parties, right, left and centre, with about half a dozen members each.

Socialists Attract Youth

The Masjumi is almost certainly the strongest party in the country. Drawing its inspiration from its religious origin, it tends to be conservative, but it has a progressive wing led by the former Prime Minister, Mr Natsir, and the last Minister for Home Affairs, Dr Mohammed Rum. Much of the Masjumi's support comes from the rural areas, where village life is relatively untouched by politics in a party form. In the social ideas of its progressive wing can be seen much of the reforming zeal of Islam. The second largest party, the uncompromisingly nationalist PNI, is far more an urban party, the party of the middle-class, the professional man, the school teacher. Less well organised than the Masjumi, the PNI may lose strength in an election. Perhaps for this reason, in order to gain extra support, one wing has seemed susceptible to ideas indistinguishable from those of the Communists. The PIR is the next largest party, but it is quietly moderate, with backing in the civil service and has rarely taken a decisive part in national affairs.

Like the parties of the right, the left wing has its moderates and its extremists. The Communists (PKI) and the Socialists (PSI) have fifteen members each, but as they are much more active in organising mass support than the right wing parties, an election would probably greatly increase their representation. The Communists have never really recovered from the execution of their leaders after the abortive Madiun revolt in 1948, but they have worked

unceasingly, especially among the trade unions, whose central organisation, SOBSI, is strongly pro-Communist. The Socialist Party has always been the party of the intellectuals; but with a difference. Its leader is Sutan Sjahrir, the most able political thinker in South East Asia; but as he has not been in office since independence, he has been rather out of the limelight. The party has worked hard among the younger sections of the community, teaching and building up "cadres" throughout the archipelago. In the earlier days of the republic, many of its representatives abroad were Sjahrir's "young men" and still today it attracts the most able and idealistic of the younger generation. Although partially Marxist, the PSI is strongly anti-Communist, and it has been far more realistic than the PNI, for example, on such questions as the use of foreign capital. Despite its non-participation in the Masjumi-PNI coalitions, it has allowed one of its leading members, Dr Sumitro Djojohadikusumo, to serve as Minister of Finance; he has showed himself to be one of the few Indonesian politicians with a firm sense of economic realities.

The impatience caused by the stalemate among all these parties has recently caused much support to be given to the idea of a non-party Cabinet of "experts" under the vice-president Dr Hatta. From the standpoint of urgency, this would undoubtedly have been the best solution; but the Indonesian political parties were aware that such a Cabinet would reduce Parliament to the uncongenial status of a debating society. And, furthermore, it would be unable to iron out the party disputes.

Causes of Dissension

There are several major political differences which in one form or another have broken up or weakened the previous coalitions. The most recent was over the handling of land reform in North Sumatra, where the action of the responsible Minister, Dr Rum of the Masjumi, in dispossessing squatters from plantation estates, was strongly attacked by the PNI and the Communists. The consequent withdrawal of PNI support brought about the fall of the government. The holding of elections, the establishment of an embassy in Moscow and the ratification of the Japanese peace treaty have also caused dissension over the last few years. The PNI tried to win over left wing opinion by urging the early establishment of a Moscow embassy. This was opposed by the Masjumi who, in turn, attacked the PNI for being opposed to early elections. There has undoubtedly been a little reluctance within the PNI for early elections, due probably to personal fears rather than party policy.

The PNI capitalised on anti-Japanese feeling by opposing the ratification of the peace treaty, while the Masjumi was in favour of it (it was a Masjumi foreign minister who signed it). Then there was the PNI decision to demand nationalisation of the Sumatra oilfields which the Masjumi and Socialists felt could at present be more efficiently worked under foreign management and technicians. The Masjumi and the Socialists have, in fact, shown the greater realism over the need for enlisting foreign financial support. Even such a technical matter as the organisation of the army and national security has been dragged into the political arena and the advisory work of the Netherlands Military Mission has been greatly reduced by political

On most of these questions the Socialists and the small Christian parties have tended to support the Masjumi, or at least its progressive wing led by Mr Natsir and Dr Rum. The Communists have backed up the Nationalist Party, and the dozen smaller parties have lined up somewhat arbitrarily. It is, in fact, personalities who largely condition party decisions, and this has always been one of the weaknesses of Indonesian politics. A great deal of the PNI opposition to the Socialists has been due to personal jealousies, and the North Sumatra land reform issue became to a great extent a personal vendetta against Dr Rum. The able Sultan of Jogjakarta was forced to resign as Minister of Defence after a similar campaign.

At the moment, however, the most contentious issues are theoretically settled. Everyone is agreed about holding elections and setting up an embassy in Moscow and only the dates remain to be fixed. It is the insubstantial nature of the political differences and the element of personal rivalries involved that give rise to some disquiet; that these seem more important to some politicians than the stability of the administration and constructive hard work is hardly a good sign.

The Defence of Sweden

FROM OUR SCANDINAVIAN CORRESPONDENT

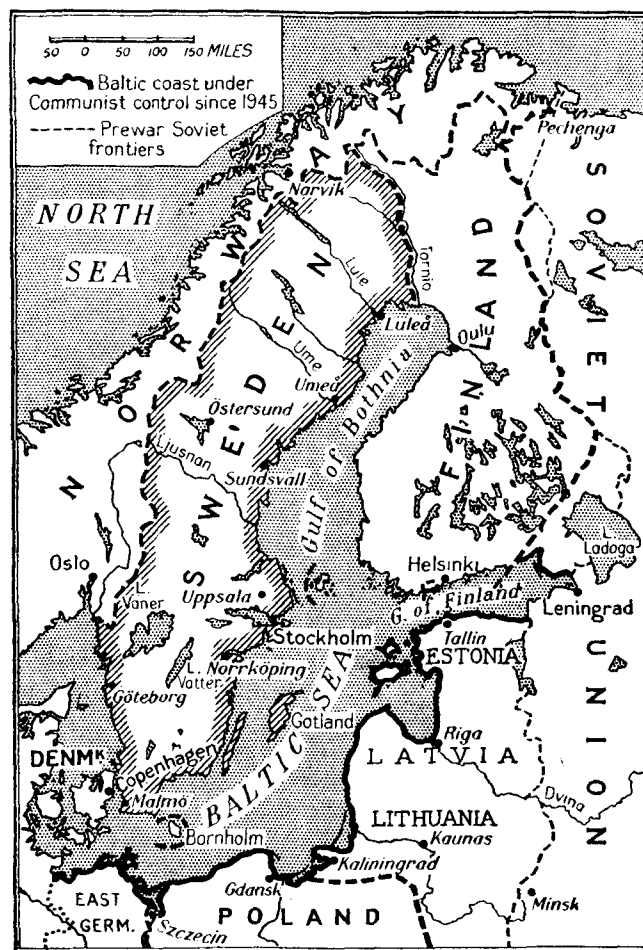
A PERMANENT paradox in the shifting scene of world events is the high level of military preparedness maintained by "neutral" Sweden. And this is no flamboyant militarism to mask political bankruptcy, but a sober, sustained and conscious national effort. Paradoxically again, in a country that has not been involved in war since 1814, it is stiffened, noticeably in the officer corps, by a very real military tradition. Since well before the war, it has been fostered by Socialist or predominantly Socialist governments.

An account of the defence effort of Sweden, which is nearly twice as big as the United Kingdom and yet has a mere seven million inhabitants, makes impressive reading. The Swedes do try to make the best preparations for defending their country, so far as their present policy permits. Whether an adequate defence is in fact possible within the terms of present policy is another matter. Neutral Sweden ended the war with large stocks of defence material and thus, instead of having to re-equip its forces almost from scratch, simply went on at a steady pace with replacement. It may seem surprising that in the postwar atmosphere of optimism Sweden did not take the opportunity of cutting defence expenditure much more. The answer would seem to be threefold. First, the vicarious success of a policy of armed neutrality strengthened its supporters. Second, the emergence of the Soviet Union as one of the strongest military powers on earth gave added reason for preparedness. Finally, not having been involved in the war, the Swedes were largely unaffected by the emotional aftermath of victory.

The first set of major postwar re-equipment plans has now been completed, and new plans for the different services have just been put into effect or are before the Riksdag. Last year a seven-year building plan was approved for the navy, involving an expenditure of 600 million kronor (about £40 million) during 1952-59. (Last week it was decided to

spread this plan over two more years and delay its completion until 1961.) There is also a six-year plan for weapons costing Kr 660 million during 1953-1959 (Kr 200 million being for the coast artillery which is part of the navy). The army is embarking on a programme to spend Kr 3,150 million over the next ten fiscal years. The air force, in the next seven years, plans to spend about Kr 350 million a year on re-equipping.

In the shorter term, total current expenditure on the defence vote in the 1953-54 budget year (July to June) is put at Kr 1,982 million (£136.5 million) or 23.9 per cent of budget expenditure and 4.7 per cent of the estimated national income. In addition Kr 110 million will be spent on the capital account (about 70 million on fortifications). A great deal is also spent on defence preparations under other heads—Kr 42 million on civil defence on the Ministry



of Interior's vote, Kr 27 million on measures for economic preparedness (stocks, bomb-proof dumps), on the Trade Department's vote, and so on. The 1952-53 defence expenditure amounted to Kr 1,570 million, which was 21.2 per cent of the budget outgoings or about 3.8 per cent of the national income. It is worth noting, however, that increased costs account for most of the difference.

Some of this money is spent on foreign equipment, such as Centurion tanks and the right to construct the Rolls-Royce Avon engine. But most of it goes on Swedish material which on a unit-cost basis, is probably more expensive than corresponding foreign equipment produced in countries better able to benefit from series production. The local production of equipment is, however, considered a necessary insurance against supplies being cut off.

Sweden has indeed managed to hold its own technically with products like the SAAB J-29 fighter and the improved Bofors 40 mm gun. Foreign sales of the latter (and in all probability of the former soon also) help to cover costs. Research is conducted into such things as radar (though most of the radar in use is foreign) and guided missiles. There is, however, no atomic research worth mentioning. And, of course, the position is simplified by the defensive role of Swedish forces; no large bombers, for example, are required.

All male Swedes from the age of 20 to 47 are liable for military service. Younger or older men or men exempt from service must, if fit, serve in the home guard or the civil defence. The period of conscript training is nine months, plus three "refresher" courses of 30 days each during the remainder of the time the man is liable for service. NCOs and specialists have 40-day "refresher" courses. The General Staff has tried to offset the effect on efficiency of such short periods by adopting modern methods of industrial training, using time and motion studies to improve drills, and by calling men up for refresher courses as members of a fighting unit rather than individually by age groups.

Defence Propaganda

In addition to such direct participation in military affairs, the Swedish citizen is reminded of his responsibilities by extensive and efficient propaganda. The General Staff issues large numbers of publications, and particularly a monthly booklet called "Contact with the Fighting Services." The government periodically distributes pamphlets such as that issued in millions of copies last autumn. It was entitled "If War Comes" and reaffirmed, with a mass of practical advice, the duties of the Swedish citizen in war. Its theme was "fight on," and it specifically repudiated in advance all idea of resistance ending so long as Swedes still had weapons.

All this, together with the establishment some years ago of a special committee on psychological warfare as a part of total defence, implies an understandable concern on the part of the authorities for the morale of the Swedish people. The apparent determination to give everybody something specific to do in war is probably of like origin. About 450,000 people are theoretically available for civil defence duties, apart from auxiliary formations. Special civil defence groups for the protection of key plants and installations are obligatory in towns and in larger potential targets in the country. The security precautions now normally observed in, for example, a large steelworks are quite alarming to a pacific Englishman—passes, guards, barbed wire fences, and elaborate air raid shelters. This branch of civil defence is entirely financed by industry. Industry is also prominent in supporting the "Nation and Defence" movement, which in collaboration with the armed forces co-ordinates the activities of some forty-one voluntary organisations.

The most obvious material weakness in Sweden's defences is the lack of indigenous petroleum products, rubber, chrome, tungsten and such specialised commodities as carbon black. But it is certain that large stocks are held of such key products. In food Sweden can be self-sufficient. All in all, therefore, and within their self-imposed limitations, the Swedish authorities have some reason to be proud of their efforts to build a total defence for their country.

FIRE! TRAGEDY AVERTED BY NU-SWIFT!

"Escape seemed impossible... chemical machines spluttered and failed... acid squirted by one just missed my eyes... but reliable, non-damaging Nu-Swift saved us all."
NU-SWIFT LTD · ELLAND · YORKS
In Every Ship of the Royal Navy

WORKERS IN THE TEAM Number 3 in a series

This thoughtful, sensitive face belongs to a craftsman. Walter Turner is a man for whom only first class work is good enough.

He started work with the Company in 1925 after serving his apprenticeship as a joiner. Today he is general foreman in charge of important work: and everyone knows that under Walter's eye even the smallest details will be attended to thoroughly.

He has shares in the Company—a privilege reserved for those who set an outstanding example. But his chief reward comes when a fine job has been done and its

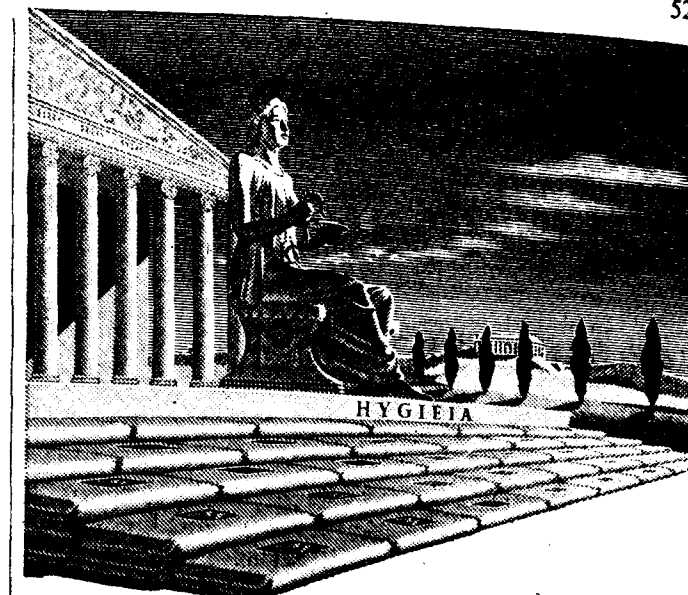


quality is noticed: then, his face lights up.

He takes great pleasure in the Company's annual outings because there he meets old fellow-workers and they talk of past jobs tackled together. For all his work is shared. This is the real secret of the satisfaction he gets from life: good work done by a team of which he is one.

LAING

John Laing and Son Limited
Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka
Established in 1848



Steps to hygiene...

The Greeks worshipped Hygieia as the goddess of health. We do not worship hygiene but we practise it more and more, and the importance of food cleanliness is being increasingly recognised. Here a vital part is played by paper. Paper bags, paper wrappings and for bulk deliveries the multi-wall paper sack, protecting its contents from contamination as no other sack can. The Medway multi-wall sack is ideal for the packaging of sugar, flour and all sorts of human food and animal feeding stuffs. It is tough, resilient, sift-proof and resistant to moisture. It is indeed a revolution in hygienic packing and a typical example of the way in which the Reed Paper Group—with its great resources for the development and manufacture of paper products—is continually seeking to contribute better products to serve the nation's daily needs.

MEDWAY MULTI-WALL SACKS

Products of
MEDWAY PAPER SACKS LTD
Division of the

Reed
PAPER GROUP

Head Office: 105 Piccadilly, London, W.1

In the campaign for clean, pure food Reed Group paper plays an important part: Aylesford kraft and M.G. sulphite papers for traders' bags and wrappings—Medway multi-wall sacks, corrugated paper and corrugated cases for wholesale deliveries—Powell Lane waxed bread wraps and confectionery packing.

Could *more* accounting work be done ... with fewer machines?

**Sensimatic Control* means limitless
adaptability in one machine**

BUSINESS NEVER STANDS STILL, and sometimes, accounting routines are not flexible enough to cope with heavy new commitments. But this doesn't mean that the office need get in arrears with its work, nor that a variety of different accounting machines must be installed.

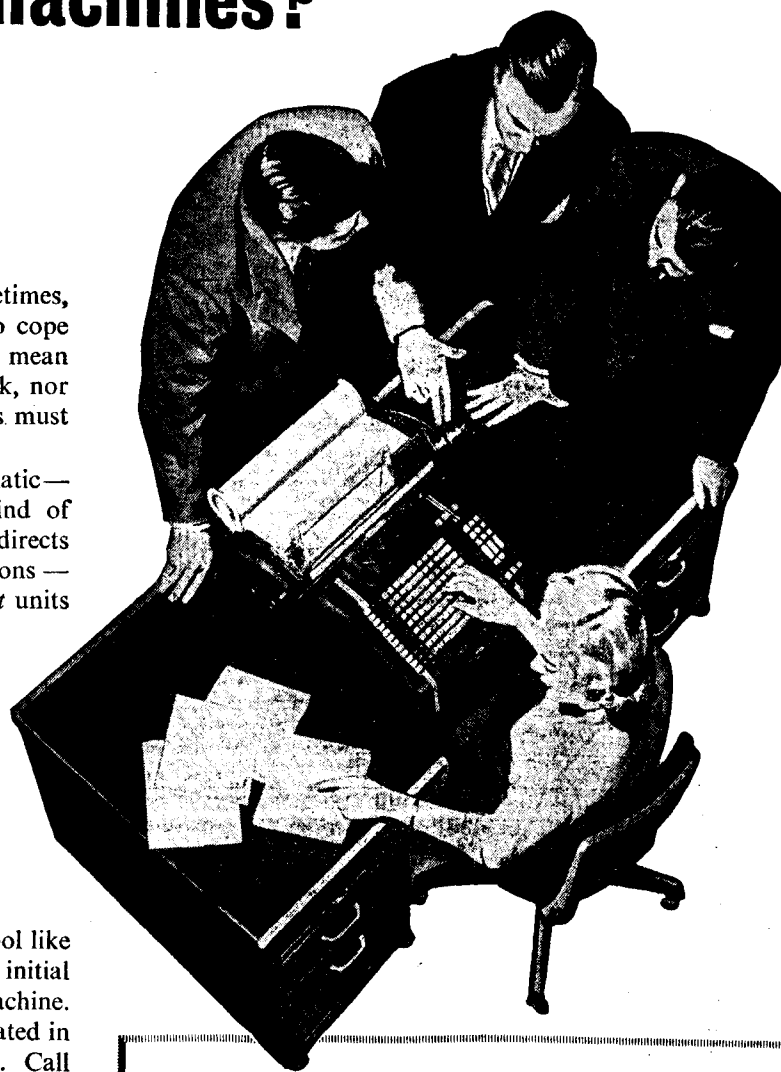
There is one machine—the Burroughs Sensimatic—which can be switched in a flash to any kind of accounting operation. A single control-unit directs the Sensimatic through any *four* posting operations—and there is no limit to the number of *different* units you can use.

What does this mean? Simply, that a small business needs only one of these versatile machines to handle *all* its accounting jobs; that a large organization, as the need arises (perhaps, for the "peak-period" preparation of payroll), can switch every one of its accounting machines to one kind of work.

LOW INITIAL COST

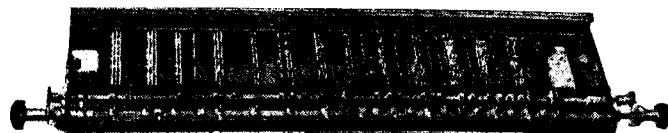
The value of a limitlessly adaptable business tool like the Sensimatic is incalculable—but even its initial cost is far below that of any comparable machine. You owe it to your business to see it demonstrated in relation to your particular figuring problem. Call Burroughs today.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service Offices in principal cities.



THE BURROUGHS SENSIMATIC

Is now produced in 5 versions giving as many registers, or combinations of registers, as you may need.



*THE MEANING OF SENSIMATIC CONTROL

This sense-plate (the Sensimatic Control unit) guides the machine automatically through every mathematical function and carriage-movement of a complete routine. Every unit — there is no limit to the number you can use — controls any four different accounting operations in any combination.

For expert advice on business figuring

CALL IN **Burroughs**

THE BUSINESS WORLD

Parliament and the Boards

TODAY, in practice, the nationalised industries are "accountable to Parliament" in only three ways. Members may ask Parliamentary questions about these industries, though only those held to concern matters for which a Minister is directly responsible, mainly in the field of general policy. They may debate the industries' affairs on various occasions, of which the most regular are debates upon the annual reports and accounts of the public corporations among members many of whom have not read and digested—as who does read and digest?—these bulky documents. Thirdly, they may write direct to the corporations on particular issues—and it is perhaps this method that has the most chance of getting anything done. True, Parliament is not the only organ through which these statutory monopolies are formally accountable to the public—there are the broadly ineffective consumers' councils and in the case of transport there is the fares tribunal, effective but limited in scope—but Parliament is obviously the main organ in which the public's representatives should be able to exercise the rights of public ownership. These rights should broadly correspond to those of shareholders in private industry, the right to obtain information about the conduct of the enterprise they own, and to act upon it. Not everyone may agree that the existing machinery for exercising these powers of ownership is inadequate; but few will disagree that so far it has been ineffectively used.

The nationalised industries, moreover, are fairly well protected from Parliament's two watchdogs on the use of public funds—the Committee of Public Accounts and the Select Committee on Estimates. The Public Accounts Committee, certainly, can and does on occasion examine the published accounts of nationalised industries. But the effectiveness of this committee in scrutinising the appropriation accounts of Government

departments derives in large measure from the reports and the advice of the Comptroller and Auditor-General, who is responsible for current auditing (in a somewhat wider sense than ordinary commercial auditing) of the departmental accounts. Commercial accountants (responsible to the Minister concerned), not the Auditor-General, audit the accounts of the nationalised industries, and the Auditor-General has no right to inquire into those accounts before the Public Accounts Committee considers them; so the assistance he can give in such cases, and the effectiveness of the committee's scrutiny, are greatly restricted. The Select Committee on Estimates, in its turn, is confined by its terms of reference to examining only such public corporations as have received subsidies from voted monies that appear in Government estimates, and the only nationalised industries that it has been able to study since the war are the three airline corporations. Publicly owned industries able to cover a loss by borrowing from the Exchequer, such as the National Coal Board or the Raw Cotton Commission, have thus escaped it; and others that by raising charges can fulfil their statutory duty of avoiding loss "taking one year with another," may stay for ever beyond its ken. Since the nationalised monopolies' owners are at the same time their consumers, the fact that a corporation thus avoids a loss is not calculated to allay public suspicion of its efficiency, or public desire to see it brought more effectively to book. It may be added, moreover, that the conduct of these statutory monopolies is expressly excluded from the scope of the Monopolies Commission.

Opinion in Parliament and outside on this matter is divided less about the need to make the industries' accountability to Parliament and public more effective than about the way to do it. The Labour Government had earlier rejected a Conservative suggestion that

it should be done by a Select Committee, inclining rather to the alternative of a full-scale inquiry into each of the industries about every seven years. Shortly after taking office the present Government appointed a Select Committee to

consider the present methods by which the House of Commons is informed of the affairs of the Nationalised Industries and to report what changes, having regard to the provisions laid down by Parliament in the relevant statutes, may be desirable in these methods.

That Select Committee first reported in October last year upon the rules limiting Parliamentary questions on these industries to matters for which the Minister is directly responsible, concluding broadly that these rules should not be changed. Its final report, briefly noticed in *The Economist* last week, recommends that a new standing committee of the House of Commons should be set up to undertake the task of providing Parliament with the information it needs about the nationalised industries.

★

The powers and duties proposed for this new committee are defined fairly broadly in the Select Committee's report. It should be set up "to examine the nationalised industries," with power to send for persons, papers and records, "directing its attention to the published reports and accounts, and to obtaining further information about the general policy and practice," with the object of "informing Parliament about the aims, activities and problems of the corporations and not of controlling their work." It is recommended that the committee's staff should include an officer "of the status of the Comptroller and Auditor-General," who would examine the reports and accounts of the nationalised industries in order to direct the Committee's attention to matters requiring examination, being assisted in this task by at least one professional accountant. The Select Committee suggests that the commercial accountants who now audit the nationalised industries' accounts should when preparing their annual reports be required to give "such information in addition . . . as may be of use to the Committee and of interest to Parliament"; but it qualifies this dangerously vague description. These accountants, it rightly holds, could not be expected to perform the role of the Comptroller and Auditor-General for the nationalised industries; and for the sake of good relations with the corporations whose accounts they audit, their approach should not differ too widely from that of ordinary professional auditors. It may be added that while the professional accountants, in evidence to the Select Committee, very tentatively outlined a number of aspects of the boards' operations upon which they might be prepared to give rather more information than the ordinary auditor's certificate, these suggestions and their elaborate qualifications made it clear that they would not be prepared to do for these industries the full job that the Comptroller and Auditor-General does for departments.

The field of interest of the proposed committee in respect of the nationalised industries would therefore be considerably wider than that of the Committee of Public Accounts; but its effective powers of investigation would, on the face of it, be considerably less. To give the committee's adviser "the status of the Comptroller and Auditor-General," could not make his examination of published accounts nearly as effective as the scrutiny of Government accounts by his counterpart. The Auditor-General's power to advise the Public Accounts Committee is based upon his performance of the actual auditing function in the departments under review, through his staff of about 500 constantly engaged on this work, many of them within the departments. Sir Frank Tribe, the Comptroller and Auditor-General, told the Select Committee that he "could" if required take over the whole task of auditing the nationalised industries' accounts, and hence of undertaking this wider general examination; but that would involve "dislocating" the accountancy profession in this country by recruiting into his own department from the commercial accountants some hundreds of their employees now doing this work. Assuming that is out of the question, any scrutiny of the financial affairs of the nationalised industries can hardly hope to approach the thoroughness of that made with the Auditor-General's assistance by the Public Accounts Committee. Sir Frank thought, too, that smaller staffs stationed inside these industries, empowered to inquire though not responsible for the actual audit, "would not really work in practice." That close financial scrutiny, however, was not what the Select Committee was asked to provide, though some of its members would obviously have desired to bring about equally effective powers of examination over a much wider field.

Various objections, some of them of substance, were advanced in evidence before the Select Committee to the establishment of a new committee on the nationalised industries. Lord Reith argued vehemently, and Mr Herbert Morrison with moderation and weight, that the proposal would offend against the whole concept of the public corporation, which in the past governments of all parties have tried to shape so as to combine public ownership with a measure of independence of ministerial control. They felt that with a powerful committee on the watch the nationalised industries would develop the civil service mind, and would frighten away the top men of initiative that these industries need, leading to a general (one might say an "even greater") caution and avoidance of risk. Sir Geoffrey Heyworth added

In my own job in my own business what I have to do is to turn up at the end of the year having made slightly more right guesses than wrong guesses. . . . Some of these decisions were quite wrong in the light of after events. The mere fact that I felt someone was looking over my shoulder, the less decisive I would become. . . . Any form of detailed control seems to carry with it the certainty of mediocrity or less. . . .

Mr Morrison argued staunchly for his own proposal of

the periodical full-scale inquiry into each board, holding that these would be less likely to sap managerial risk-taking than a standing committee liable to review each industry perhaps every one or two years. He added a personal preference for one form of what he and some members of the Select Committee term "an efficiency audit"—a team of expert consultants drawn from all the nationalised industries that could investigate the efficiency of any aspect of the industries' work, using physical as well as financial indices; this team's reports, he thought, might if desired be published independently.

The objection that corporations could be made too cautious is a real one, and undoubtedly did play some part in shaping the public corporations that now exist in Britain. So is the danger that supervision of these industries' behaviour, exercised too keenly, would inevitably lead towards more centralisation of decision by the men likely to be held responsible for their subordinate's mistakes, and away from the decentralisation that the industries probably need. But these objections would be more cogent here if the standing committee proposed were a little more formidable, and the nationalised industries themselves a little less.

The industries nationalised since the war, unlike the public corporations set up in earlier years, are statutory monopolies of major industries; the fact of monopoly, not of public ownership, is what counts most. As monopolies directed to observe "break-even" policies sharply divorced from those of ordinary business, they may

Switching in Canadians

BRITISH investors can now switch their portfolios of Canadian securities in exactly the same way as they have long been able to switch their portfolios of other dollar securities; to "switch" means simply to sell one security and buy another. Dealings in Canadian securities will still have to find their way through the ordinary and tangled labyrinth of exchange control regulations—but, at least, there will be no special Minotaur waiting for them at the end of their journey. That, in essence, is the principal consequence for investors of the new Anglo-Canadian arrangements for the repayment of Canada's wartime loan to Britain. These arrangements are so complicated that they deserve detailed analysis under three headings: their effect on the country in general, their effect on British investors, and their effect on the exchange control regulations under which the Stock Exchange works.

Their effect on the country is, briefly, that there will be some immediate drain on the central gold and dollar reserves; but, as an offset to this, there will be a caulk in the previous drain on private British holdings of Canadian securities (holdings that of course bring some current dollars in their train, in the shape of dividend

payments, into the British Treasury). Under the original arrangements for repaying Canada's 1942 interest-free loan to Britain, all Canadian dollars that accrued from the sale in Canada or redemption of Canadian securities by British residents had to be handed over from the British to the Canadian Treasury; by the end of last June the principal of the loan had been reduced by this method from the original sum of \$700 million to \$189 million. A later agreement that dollar proceeds from the sale of Canadian securities could also be used to finance approved new British direct investment in Canada (for example, the establishment of Canadian subsidiaries by British manufacturing concerns) had, however, slowed down repayment of the loan in recent years; indeed, judging from the recent pace of repayment (at about \$20 million a year) the Canadian government might have had to wait another 10 years for final redemption. Under the agreement reached last week, these arrangements are scrapped. Instead, the British Government will immediately pay to Canada \$39 million, reducing the principal of the loan to \$150 million. This balance will then be paid off in twenty equal quarterly instalments ending in December, 1958. The direct

drain on the reserves will, therefore, be around \$30 million a year for five years. There will probably, however, be an additional indirect drain. Hitherto some part of direct new British investment in Canada (£17½ million in the first seven months of this year) has been financed from dollars collected from British investors who have sold Canadian securities in Canada; now those investors will be allowed—and presumably will virtually always choose—to retain these dollars themselves to switch into other Canadian or United States securities.

★

The effect of this new freedom on British investors can best be understood by examining the alternatives that lay before the British holder of a Canadian security up to last week. In the first place he could sell such a security on the London Stock Exchange and at the prices quoted on that exchange; usually these prices would be above those quoted in Canada, but, of course, the investor would get payment only in sterling—and his only possibility of reinvesting the proceeds in other Canadian securities was then to find another British holder who was willing to sell for sterling at the London premium price. Alternatively, he could sell his security in Canada; if he did so, however, he had to hand the dollar proceeds of the sale over to the British Treasury (for repayment of the Government's interest-free loan from Canada) and receive their counterpart in sterling. Since the price received for such sales in Canada was usually lower than the price received in London, very few such sales were made; the only exceptions were Canadian securities for which there was no market in London, or for which (for occasional, rather freak, reasons) the London price had dropped below the Canadian price. Finally, however, any unfortunate who held a dated Canadian security that fell due for redemption had to sell the dollars arising from this redemption to the British Treasury; it was from such redemptions that the Treasury secured the lion's share of the dollars that had run down the principal of the loan from \$700 million to \$189 million by last week. The new arrangements mean that investors can keep back the dollars arising from such redemptions or from sales of securities in Canada for re-investment in other Canadian or United States securities.

This freedom has, of course, led to a re-shuffling of prices quoted for Canadian securities in the London Stock Exchange. To understand the nature and reasons for this it is necessary to appreciate the anomalies caused in the London market by the system now modified. Immediately after the war the regulations governing the repayment of the 1942 loan meant that the London market could deal only in the limited amount of Canadian stocks already owned in this country; and, so long as some investors had to liquidate or accept redemption of part of their holdings, this stock of Canadian securities was growing smaller. The premium on these securities above the price quoted for them on the Canadian stock exchanges therefore varied

with the demand and supply of the particular stock; for stocks of which British investors had accumulated large holdings before the war—for example, International Nickel—the premium could be practically negligible; but for new stocks that were in very limited supply in London, it could—up to about 1951 at least—be as high as 20 per cent.

Of course, this absurd state of affairs set dealers scurrying in search of methods of arbitraging to remedy it. British exchange control regulations have always allowed British investors to sell abroad any investments that carry dividends in soft currencies in order to switch into investments with dividends in harder currencies—provided they could find any foreign stock markets to accommodate them. For a time sales of Belgian securities provided a by-pass route into Canadian securities, and so did sales of Royal Dutch shares for American dollars. About eighteen months ago, however, there was opened up a much easier route by way of sales of blocked D-marks in Switzerland, purchases of US dollars with Swiss francs, and purchases of Canadian securities with these US dollars. In the last few months the cost of buying Canadian securities in this way instead of buying them direct settled down at about 6 per cent above the Canadian price (and dealers in Canadian securities in London quoted a price to a would-be buyer on this basis). This development therefore set the upper limit at which any Canadian security could be purchased in London at a premium of 6 per cent; although, of course, International Nickel and other Canadian stocks that were in ample supply in London continued to be quoted at much lower premiums than that. Nevertheless, these arrangements still put very real obstacles in the way of British investors' participation in Canadian stocks. Only the most determined bulls were willing to pay the premium of 6 per cent that obtained on the scarcer Canadian stocks; particularly as they knew that they would not be able to market their stocks on the Canadian market and since the general London premium on United States securities (which the British holder has been allowed for some time to switch in New York) was only 4 per cent.

★

These special obstacles have now been removed. In future, British residents will normally be allowed to switch from Canadian securities into either quoted Canadian dollar securities or US dollar securities, and from US dollar securities into quoted Canadian dollar securities; in addition, transfers between blocked sterling accounts in the dollar area can now be freely made. The establishment of what is in effect a common market in United States and Canadian securities in London immediately caused Canadian securities to be adjusted in Throgmorton Street to the common basis of a premium of 4 per cent (the same as the premium on United States securities) over the equivalent prices quoted on the Canadian stock exchanges; this meant that Canadian stocks that previously carried a very low premium (such as International Nickel

and Brazilian Traction) were marked up, while stocks that were at or near the limiting premium of 6 per cent (such as "Canpacs") were marked down.

The premium, it should be noted, was quoted on the middle rate of US \$2.80 to the £, and the fact that Canada has a fluctuating exchange rate meant that dealers had to work overtime on their slide-rules to translate the premium into actual market prices. Realising that this method of quotation was cumbersome—and possibly misleading—the stock market replaced it on Wednesday by basing the premium on the mid-points of the actual exchange rates for US and Canadian dollars; at the same time London prices strengthened relatively to New York prices, so that a premium of 3½ per cent was then quoted upon a US dollar rate of \$2.81½ to the £ and on a Canadian rate of \$2.78 to the £. Indeed, Throgmorton Street was obviously thankful that these new arrangements were announced in the holiday season, so that they have not been confronted with any rush of business before they have had time to settle down to the techniques required; the flurry in the markets was, in any case, far less than it would have been if the pool of Canadian securities had not been widened already by the stream of investment through the D-mark deals.

These new regulations have simplified to some extent the complexity of exchange control of security transactions. In brief, a resident in this country can now sell and reinvest outside this country quite freely so long as the securities he sells and buys are payable in the same currency—and, in this context, Canada and the United States are to be treated as one currency area; he can also usually sell a soft-currency security for

reinvestment in a hard currency one—but he cannot come back again, for example from a dollar stock into French *rentes*. Each transaction still has to be specifically approved and still has to be completed within two months of the granting of the permit. Usually, so as not to miss the market, the sale of a security is completed before a licence is sought; and the investor is granted three weeks' grace in which to secure it. Although small balances may be permitted to remain uninvested for a reasonable time after the expiry of the permit, the rule is that the reinvestment should be equated to the proceeds of the sale—but in dollar securities this principle is often satisfied merely by temporary reinvestment in short-term United States Treasury bonds. These bonds—together with Wall Street, which provides a freer market in well-known international stocks than the Canadian stock exchanges—may in fact be among the minor beneficiaries of the new move. The new regulations have no effect upon residents in the overseas sterling area, who have always been able—subject to local regulations—to switch Canadian securities, since the Canadian loan was made only to Britain.

In sum, therefore, these arrangements stop a drain on private British holdings of Canadian securities at the expense of opening a new one on official holdings of dollars; they remove some unnatural absurdities in the London stock markets that were crippling intelligent British participation in the fruits of the Canadian boom; and they make it slightly easier to codify and understand Britain's tangled exchange control regulations on security dealings. All these are real advances, and they represent another modest victory for liberalism and commonsense.

Business Notes

No Currency Inflation

WHATEVER portents there may be to warrant the fears lately voiced in some quarters that Britain is now facing a disquieting revival of inflationary pressure of demand, the trend of the note circulation is not among them. Except for its brief and inevitable expansion at the time of the Coronation, the demand for currency this year has in fact been unexpectedly light. Admittedly, the return of notes from circulation in the few weeks since the peak of the summer's holiday demand has been somewhat less this year than last—this latest week's reflux was £21 million, bringing the total to £40 million, compared with

£44 million in a slightly longer period last year, and reducing the total circulation to just under £1,559 million. But the seasonal expansion itself was a good deal less this year: from its lowest point between Easter and Whitsun to its August holiday peak, the circulation rose this year by £88 million, compared with a rise of £109 million last year. The spending at the time of the Coronation, and perhaps the fact that some people—including many of Britain's visitors from overseas—took their holidays earlier on that account, seem to have been reflected in smaller spendings at and around the peak of the season. If that is so, the inflationary "feel" of consumer demand in May and June may have been a somewhat misleading guide to the underlying mood of the spending public. The detailed statistics of retail trade in June—which have only just become avail-

able, and are discussed in a subsequent note this week—do, indeed, lend some support to this interpretation of the recent trend.

At all events, the more alarmist school of commentators has now to reckon with the fact that the note circulation this year shows a smaller rise from the year's seasonally low points (touched soon after Christmas) than in either 1952 or 1951. And the net expansion since the Christmas peak itself is now no more than £9 million, whereas in the similar period last year it was £33 million. There is still, of course, a substantial expansion on a twelve-months' comparison; but the difference on this basis has shrunk from £112 million at last Christmas to £88 million now. On this admittedly rather slender evidence, the dangers of renewed inflation are potential rather than actual—they reside especially in the wage claims now pending.

Two Prices for British Wheat

THE Ministry of Food and representatives of the milling industry have now agreed upon a scheme whereby the Government's guaranteed price to farmers for home-grown wheat can be implemented despite the freeing of the grain trade. When the guaranteed price is above prices quoted in the world market, the Ministry will compete with foreign offers by offering British wheat at a "free" price; this "free" price, although based on world market prices, will be agreed weekly between the Ministry and the trade. The difference between this price and the guaranteed price will, of course, be borne by the taxpayer. In order to ensure maximum disposal of home-grown wheat at harvest time, the millers will store wheat on the Ministry's behalf, paying the farmer the guaranteed price. When the miller consumes this wheat, the Ministry will reimburse the amount by which the "free" price may be below the guaranteed price at the time. The millers were also informed this week that it will be impracticable to re-open the Liverpool futures market for some time, owing to a shortage of storage space for a "landed" market; the reopening of the futures market in London is also being delayed.

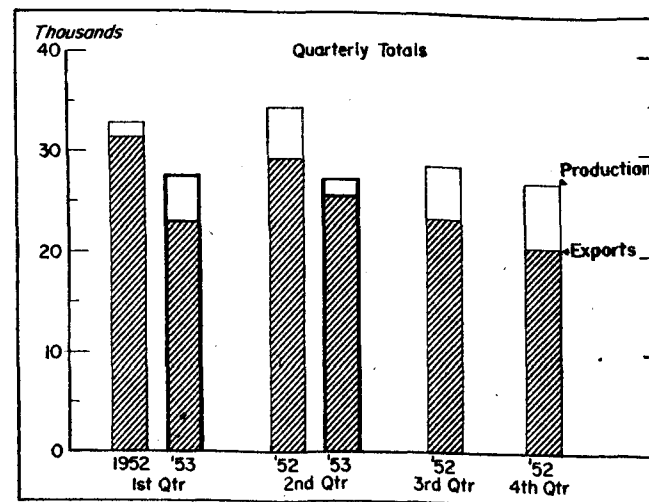
World wheat prices seem, for the time being, to have withstood the pressure of bumper crops in North America—and of the huge carry-over there—without further retreat. Chicago futures fluctuated fairly sharply this week, but by mid-week they were back again to \$1.82 a bushel for September delivery, about the same as a week before; they were helped, no doubt, by the American farmers' vote (discussed on page 511) to accept marketing restrictions on the 1954 crop. The Canadian Wheat Board's prices have recovered by 5½ cents this week; No. 1 Northern Manitoba is now being offered for export both to the free market and under the International Wheat Agreement at \$2.02½ a bushel.

Merging Tractors

HARRY FERGUSON'S sudden decision to merge his company with the Canadian manufacturers, Massey-Harris, has hit the farm machinery industry like a bolt from the blue. All the shares in the Ferguson companies are to be

transferred to Massey-Harris in exchange for the issue (on the basis of approximate book value of net tangible assets) of 1.8 million Massey-Harris common shares, of which there are 7.7 million already outstanding. Harry Ferguson will then become the chairman of the new Massey-Harris-Ferguson company, with the present president of Massey-Harris, Mr James Duncan, continuing in that role for the combined organisation. The Ferguson company designs and sells farm implements, but does not itself make them. Since his break with Ford in America, Harry Ferguson has had his designs built for him on a fixed profit basis by individual engineering companies—he has an arrangement with the Standard Motor Company for the supply of tractors on these lines, and both companies have found it mutually profitable. Massey-Harris is one of three North American manufacturers with world-wide connections that have set up factories in this country to enable them to supply, against sterling, equipment that a number of countries cannot afford to buy for dollars from their North American

AGRICULTURAL TRACTORS—PRODUCTION AND EXPORTS

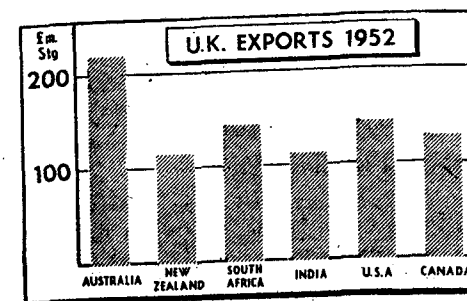


factories. The other companies that have established here are Allis-Chalmers and International Harvester.

The merger has certain obvious advantages for both sides. The North American companies have concentrated on building certain specialised implements in which British manufacturers are only just beginning to show an interest. Pick-up balers and combine harvesters, both designed primarily to save time and labour, are two typical examples. But they also intend to put into production a general run of implements. The only tractor that Massey-Harris makes in this country is a heavy-weight of 42 b.h.p., with implements to scale. The market for tractors of this size is specialised and limited; the bulk of sales comprise medium-weight tractors such as those produced by Ford, Nuffield and David Brown, and the light Ferguson. The merger means that a complete range of light equipment is made available to the immense Massey-Harris selling organisation. In spite of the general decline in tractor sales, Standard has for some months been producing Fergusons at the rate of 265 a day.

Through the Massey-Harris organisation, Ferguson will gain access to markets in the Eastern hemisphere that it has not entered before, and a sharp expansion in tractor

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)

GB 5306E



BAYERISCHE VEREINSBANK

Every description of Domestic and Foreign Banking Business transacted

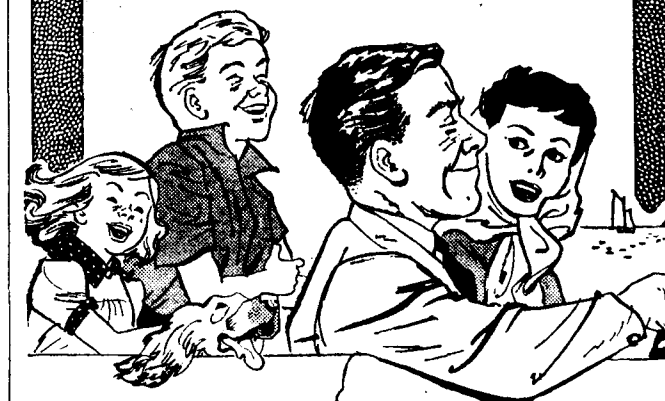
Munich Office: 14 Kardinal-Faulhaber-Strasse
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 063/443

Nuremberg Office: 21 Lorenzerplatz
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: 37 Maximilianstrasse
Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067/20

Offices and Branches all over Bavaria
Correspondents throughout the world

Folks with your future in their hands

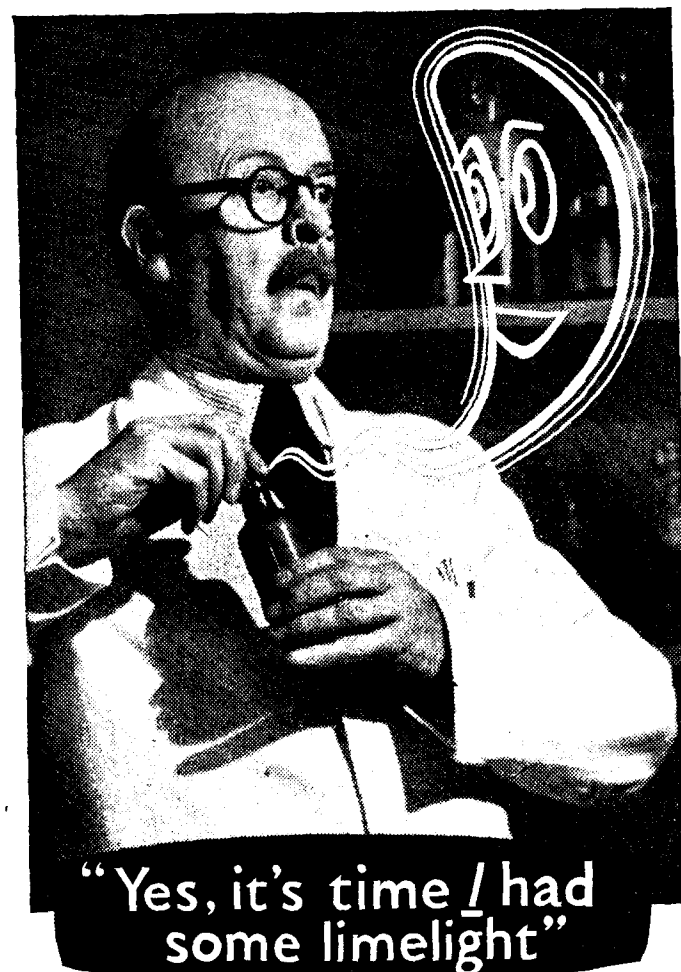


Those young people have just bought a little car. One day they'll buy a bigger one. More powerful. More expensive. They're planning to buy a lot of expensive things before they are much older. Starting to buy some of them now. Will they choose *your* products? Today? Tomorrow, perhaps?

With its lively presentation of the news... its realistic approach to the problems of our time, the Daily Mirror appeals particularly to young readers. In fact, the majority of the 4,500,000 people who buy it every day belong to the vital vigorous younger generation. With long buying years ahead of them, they are forming brand preferences which may last them all their lives. They are the folks with your future in their hands.

Because it has the biggest daily sale on earth, the Daily Mirror can offer you the most powerful mass market coverage in the history of daily newspapers at the lowest square inch per thousand rate of all national dailies. And, *Daily Mirror* readers are young readers. Your customers today—next month—next year.





"WONDER DRUGS!" I'll give 'em wonder drugs. How about some publicity for us basic chemicals? Maybe Hexamine does not sound very exciting but you couldn't manage without me. Not if you wanted plastic bottle caps or light switches or covers for telephone receivers you couldn't. I'm one of the important ingredients in plastic manufacture. Got other uses, too. I kept the Olympic Torch alight all the way from Athens to London in 1948 and I provide the heat in the Army 'Tommy Cookers'. Proud? Of course I am. I come from Brotherton, one of the largest independent British manufacturers of Hexamine and other basic chemicals.

A BIG NAME IN THE CHEMICAL WORLD

Brotherton



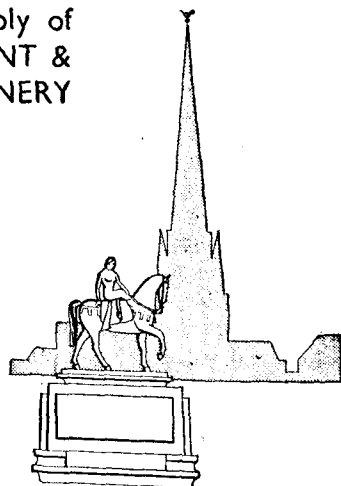
One of the world's largest manufacturers of hydrosulphites, liquid sulphur dioxide and hexamine. Makers of an extensive range of Metachrome dyes for dyeing wool in all its forms.

Brotherton & Company Ltd., City Chambers, Leeds 1. Also at Manchester, Glasgow, Wakefield, Birmingham and Birkenhead.

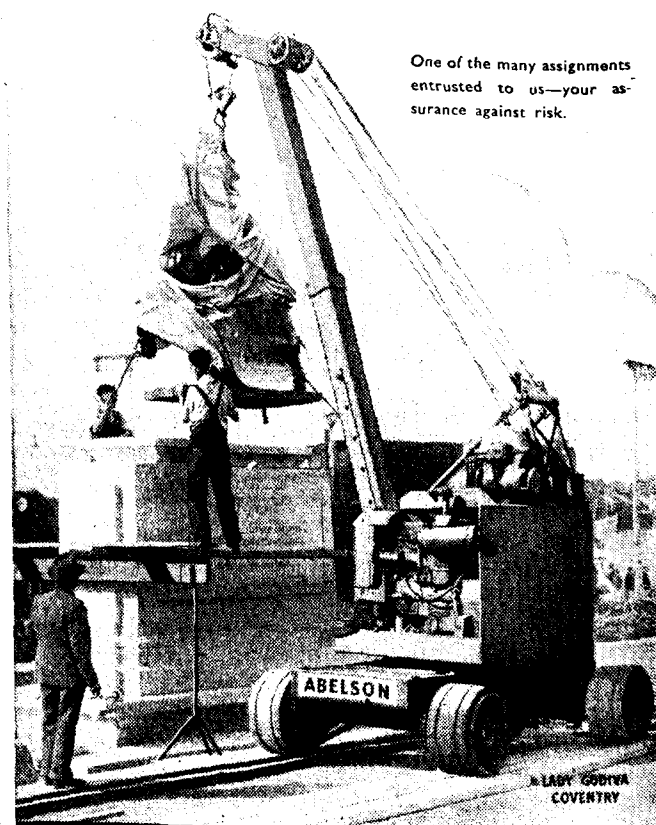
ABELSON

Specialists in the supply of
PLANT, POWER PLANT &
miscellaneous MACHINERY

The Lady Godiva Statue was presented to the City of Coventry by Mr. Bassett Green and the photograph shows this being lowered into position on to its plinth standing on a garden island in Broadgate, the City Centre.



One of the many assignments entrusted to us—your assurance against risk.



ABELSON & CO. (ENGINEERS) LTD.

SHELDON BIRMINGHAM 26

TELEPHONE: SHELDON 2424 (10 lines) TELEGRAMS: ABELSON BIRMINGHAM

LONDON OFFICE:
70, VICTORIA STREET,
LONDON S.W.1.
TEL: TATE GALLERY 9444 8
GRAMS (ONLY 10) ABELPOWER
SOUTHWEST LONDON

MANCHESTER OFFICE:
100, OXFORD ROAD,
MANCHESTER, 13.
TEL: ARDWICK 1328 (3 lines)

production is under discussion at Standard. But nothing has been said about future arrangements to produce Ferguson-designed implements. New implements, like the small combine that Ferguson has been anxious to sell for some time, will undoubtedly be made by Massey-Harris, which in this case can contribute something in know-how. But how many of the existing, as distinct from the new, Ferguson implements will eventually be made by Massey-Harris is a question that must be troubling many Ferguson suppliers.

Coronation Sales

THE London shops did well out of the lighthearted spending spree of coronation visitors in June. In that month, when retail sales for the country as a whole were 6 per cent above those for June, 1952, the central and west end area of London reported an increase of twice that percentage—a distinction for London that is quite contrary to the normal pattern, for London sales usually fluctuate less than do those elsewhere. Sales in the cafés and restaurants were 25 per cent higher on the year and those of sweets were up by no less than 65 per cent. London's food sales as a whole rose by 20 per cent, compared with an average of 9 per cent for the whole country. It is not clear whether sales of Coronation novelties did as well as the stores had expected—but this class of business is reflected in the rise of nearly 30 per cent in London sales of jewellery and "miscellaneous fancy goods." Sales of women's clothes in London also rose quite sharply by comparison with the rest of the country, and they also did well in the London suburbs. Much of the money spent on clothes seems to have gone on stockings, sales of which were up by 30 per cent in central London and 24 per cent in the suburbs, but by only 9 per cent in the rest of England.

The gala mood in London did not extend to the provinces, but some effects of the Coronation could be discerned in the spending there. The index of sales as a whole fell, from 126 in May to 121 in June (1950=100); but it was 7 points higher than in June, 1952. Sales of food, at 133, were ten points higher than a year ago and one point up on the previous month. Clothing sales taken as a whole were little changed from those of the previous year and, by comparison with May, showed a sharper than normal seasonal decline; but presumably most new clothing for the Coronation would have been bought before and not after Coronation day. Furniture, furnishings and the more homely kinds of household goods sold about as well as they were doing last year—but sales of television sets continued to run at a high level. The relevant index for the big retailers, which includes hardware and electrical goods, dropped on the month from 125 to 108, but was still 14 points above June, 1952. The independent retailers, who probably do more radio business than the big shops, recorded a drop from 171 in May to 139 in June—but this index was no less than 49 points higher than in June, 1952. On the whole, it appears that, outside London, the Coronation month brought little benefit to the shops. But it should be recalled that the index of total sales for May was 10 points up on the year, at by far the highest figure for that month (at 126) since the index was compiled. The gain was especially marked in clothes.

Productivity in Small Packets

THE seemingly elaborate arrangements made by the Board of Trade to administer the small revolving loan to industry and agriculture that is to be made available as the sterling counterpart of certain American conditional aid are presumably to be explained in terms of international good manners. The fund for this purpose amounts to £1 million, of which £700,000 will be for industry and £300,000 for agriculture; a fund of similar total size made available for fuel-saving equipment last year was passed over to the Industrial and Commercial Finance Corporation to lend out. For the new fund, however, a special committee is to assist the President of the Board of Trade in administering the industrial loans, headed by Sir John Woods, and a similar committee headed by Sir Stanford Cooper will assist the Minister of Agriculture and Fisheries to lend out his £300,000 to farmers.

The loans to industry will not normally be granted for periods of more than three years, and first consideration will be given to applications for loans that do not exceed £30,000; preference will be given to small and medium sized firms. In principle, any project with the object of raising productive efficiency in industry might qualify; in practice, loans will be restricted to projects that offer quick returns in this respect, and mainly, therefore, for the installation of new equipment and improvement of plant layout. Interest rates will vary according to the project, but for the most part, according to Sir John, will be around 4 per cent; this low rate may have been set to avoid the lack of interest shown by industry last year when the fuel-saving loans were offered at commercial rates. It is to be hoped that small companies will not hesitate to present projects to obtain these loans; the idea of a revolving fund, like various of the other projects to which the sterling counterpart of the \$9 million is to be applied, were shaped to a large degree by the terms of the Congressional amendment that made this American aid conditional, but the MSA authorities have been accommodating in applying these conditions.

The Navy's Aircraft Troubles

SAILORS, notoriously uncomfortable on horseback, have been having some difficulty too in finding their way round the air. The most recent report of the Select Committee on Estimates dealing with rearmament gave up most of its space to a discouraging post-mortem on naval aircraft ordered but not delivered through no fault of the makers. An aircraft design cannot be modified in the course of production in the way that, presumably, an aircraft carrier can, and the continual stream of requested modifications that emanated from the Admiralty has served to push the delivery date of some designs farther and farther away to a point at which the machine threatens to become obsolete before it is in service.

The Navy's aircraft are ordered on its behalf by the Ministry of Supply, and it is probable that liaison between the two bodies has not been as good as it might. The Navy has had a representative at the Ministry of Supply,

but the Ministry was not always represented when the Admirals discussed aircraft. A change is now being made to see whether matters can be improved. The staff at the Admiralty that is responsible for drawing up aircraft specifications is going to be "considerably increased in size," a phrase suggesting that earlier specifications were drawn up somewhat hastily. The Navy representative at the Ministry of Supply loses his old post and becomes a member of the Ministry of Supply under the title of Deputy Controller of Supplies (Air). He will in future be responsible for research and production of aircraft for the Navy, giving the Navy a spokesman inside the Ministry. In return, the First Lord has agreed that the Ministry's Controller of Supplies (Air) shall be allowed to attend meetings at the Admiralty when aircraft are under discussion. These changes put the Navy on the same footing as the Air Ministry in its relations with the Ministry of Supply. With the prospect of carrier-born fighters of great power—and great cost—some tightening up in organisation was clearly necessary if the history of the older types of machine is not to be repeated. But the power of the Ministry of Supply to decide in these matters whether or not a Service specification shall in fact be put out to the industry, is something that the services are coming to resent, and it will certainly cause friction when budgets become tighter.

Whisky Profits Diluted

THE Distillers' Company has this year, for the first time, followed the normal British practice of circulating the chairman's statement to shareholders at the same time as its full accounts. Unfortunately, however, these accounts make no distinction between the profits and assets of the company's distilling divisions and those of its industrial divisions. But Sir Henry Ross's statement, relating to the year to March 31st last, strongly suggests that the fall in the group's trading profits—from £21,265,450 to £13,205,539 was mainly due to the recession in the chemical and plastics trades and not to any weakness in whisky. The production of both grain and malt whisky has again been "satisfactory" and the stocks of maturing whisky have again been augmented; indeed, within the distilling industry total stocks of maturing whisky (at 150 million proof gallons) are back to their prewar level and compare with a level of stocks of only 82 million proof gallons in 1947. The overseas demand for these whiskies still continues to be greater than the amount of mature whisky that can be released from stocks. Clearly, then, the heart of the company's business continues to be sound and profitable.

In the industrial division, however, a sellers' market seems to have given way to a buyers' market all along the line. Even where demand is still rising—as, for example, it still is for the company's biochemical products—stiffer competition has brought down selling prices and profit margins. In addition a fall in raw material prices (especially of molasses) has helped to reduce the value of the group's total stocks from £56,416,256 to £55,120,669—and this in spite of an increase of over £3 million in the value of whisky stocks. To a very small extent this fall in working capital commitments has been accompanied by its usual corollary of an improvement in liquid balances; but the principal

factor here has been the increase in debenture capital from £10 million to over £18.2 million. Many of these debenture stocks can be converted into ordinary shares and holders of them will be as pleased as equity shareholders that the steep fall in gross profits has not prevented the directors from maintaining the ordinary dividend at 22½ per cent. And, though Sir Henry Ross cautiously avoids making any definite assessment of the group's future prosperity, current trends suggest that this dividend cannot be in any immediate danger.

Hard Sterling for Japan

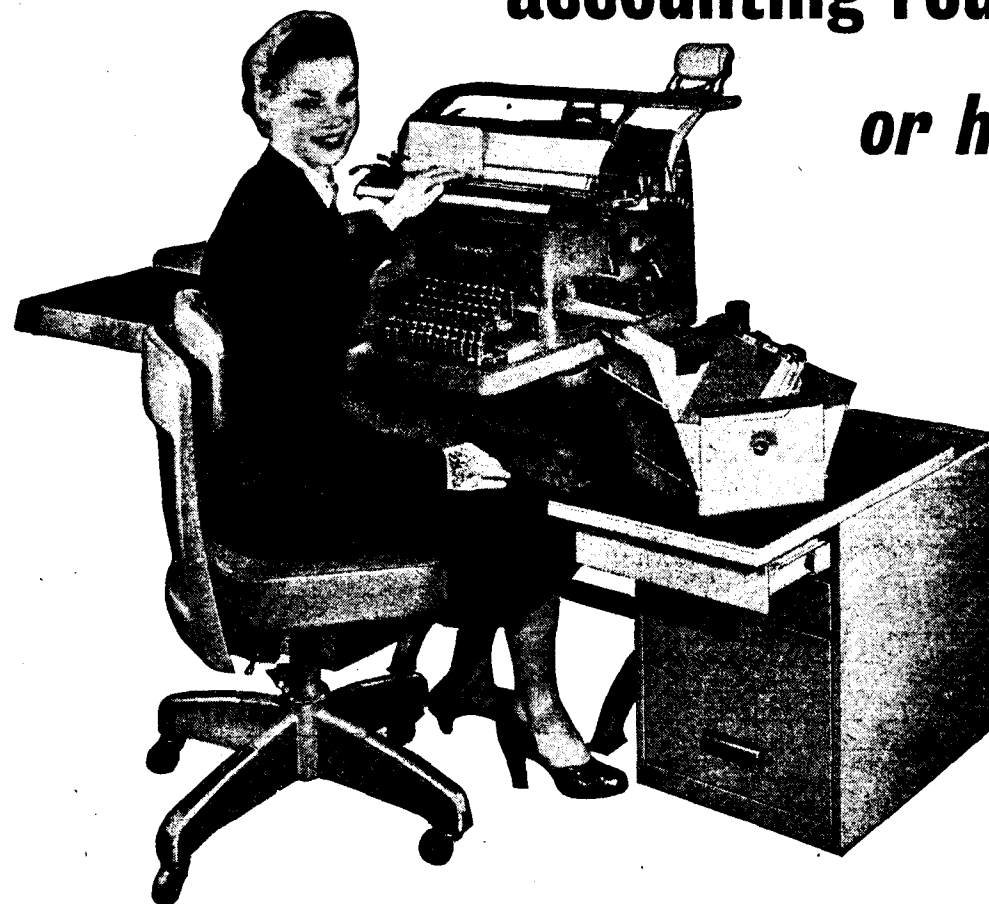
STERLING has now become a hard enough currency to be able to look the dollar in the face in at least one very peculiar surrounding, namely in Japan's currency retention scheme. For some time now Japanese exporters who have traded in dollars to their exchange authorities have been allowed to keep back a proportion of them for the purchase of certain raw materials and other imports that are considered to lead to the promotion of exports. As from August 20th this scheme has been extended to cover export earnings from all currency areas. Generally speaking, those who hand in soft currencies will be allowed to draw back their 10 per cent retention only in currencies of equivalent softness; but apparently those who hand in £10 of sterling are allowed to draw back £1 worth of dollars or any other currency they like. The only limitation is that the exchange retained must be used to purchase any of the 185 items in the permitted list.

Presumably this additional incentive to sterling exports is being given in the hopes of bringing enough sterling into Japan's reserve to enable it to take up its right to repurchase in three months the spot dollars that it has recently sold against sterling in the London market. If Japan does not receive enough sterling to exercise its repurchasing rights, the sterling area gold and dollar reserves will benefit accordingly; but British and Commonwealth exporters, their market no longer protected by the cushion of a soft currency, will be likely to feel the pinch.

Tug-of-War in Coffee

BRAZIL, which grows half the world's coffee, is currently winning its traditional tug-of-war over prices with the United States, which drinks two-thirds of world supplies. After holding off for some weeks, American buyers have now been forced to come in on a rising market. The earlier recovery in prices met strong resistance from buyers in America and other countries, and in the first half of July prices had levelled off at about 445s. per cwt for extra prime quality, f.o.b. Santos. The predominantly seller's market of recent years seemed about to be reversed by the prospect of a big increase in supplies in 1954-55, when the Brazilian crop promised to exceed 20 million bags (of 132 lb) compared with about 16.5 million in 1953-54 and a yearly average of about 14.5 million during the last ten years. Buyers were biding their time.

Does your office stride through accounting routines... or hobble?



The Burroughs M200
Direct multiplication (answers calculated and printed automatically in one fast operation); automatic proof of accuracy; direct subtraction; entries fully described as desired—these are some of the features of this speedy multiplying accounting machine. Other styles of Typewriter-Accounting Machines are available for practically all accounting routines—sales, purchase and general ledgers, statistical applications, etc., with up to 21 totals if required.

**This incomparable Burroughs machine
handles complete routines—faster, and at less cost**

WHATEVER JOB THE OFFICE HAS ON HAND—stores records, cost accounting, payroll—the work normally divides itself into three distinct operations: calculating, posting or preparing, and checking.

On Burroughs Multiplying Typewriter-Accounting Machines the three steps are cut to one. Calculating and posting are done as a single, continuous operation—with automatic proof of accuracy.

The potential saving in time (and cost!) is obvious. This unique machine, the only one available with direct multiplication, not repeated addition, accelerates the production of complete and accurate records—giving management timely figures without posting "peaks." You owe it to your business to see it prove its efficiency in action. Call Burroughs today.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service Offices in principal cities.

For expert advice on business figuring

CALL IN Burroughs



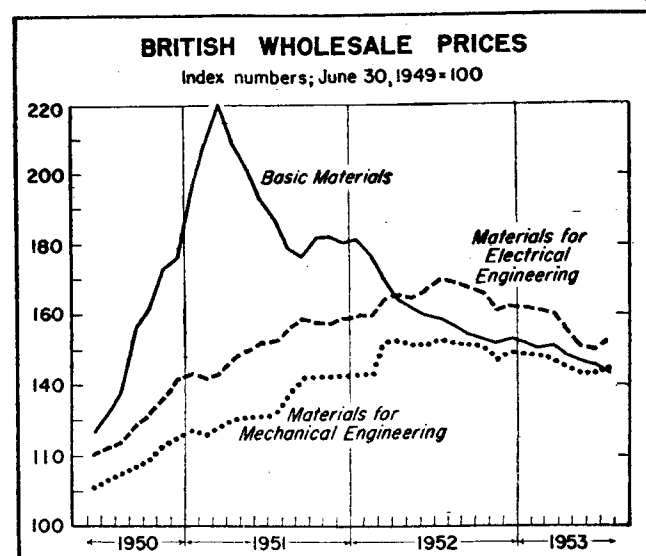
Less waste—more speed. Illustrated here is the keyboard of a Burroughs M200 Multiplying Typewriter-Accounting Machine. The fact that all computing and typing keys can easily be spanned with two hands greatly reduces manual movements for the operator, and increases her speed and efficiency.

Then a severe frost hit the plantations in the two main producing states of Sao Paulo and Parana, and though its real effect will not be known until the coffee trees flower in September and October, the news effectively tilted the precarious balance between supply and demand again in the seller's favour. Prices quickly rose, to reach about 505s. per cwt for extra prime, f.o.b. Santos. They dropped sharply last week on rumours that the Brazilian authorities would at last allow some part of the export earnings from coffee to be exchanged into cruzeiros at the free market rate for the US dollar, which is roughly twice the official rate. This was widely expected to bring down the dollar price of Brazilian coffee. The rumours and the expectation both proved correct (the new regulations were briefly discussed in last week's issue of *The Economist*, but the market effect was short-lived).

Prices have since advanced from 460s. per cwt for extra prime, f.o.b. Santos, to about 484s. on the prospective tightness of supplies in 1954-55, on the appreciation of the cruzeiro and, latterly, on the re-entry of American buyers. A resumption of Continental buying is expected shortly. Nevertheless, the market does not yet appear to have regained its former vigour, and prices may fluctuate about the present high level until the autumn. If the damage to the Brazilian crops then proves to be extensive, a further advance in prices could meet much consumer resistance in the United States, where the retail price of a pound of coffee already leaves little change out of a dollar bill. In Britain, a minor market, consumption has fallen appreciably since prices approached world levels after they were decontrolled last year. Imports of the high-priced Brazilian beans have naturally suffered most, and imports from East Africa and the Belgian Congo now form a higher proportion of total British supplies.

More Price Falls in Materials

THE prices of basic materials continued to decline last month. The Board of Trade's index (which seeks to measure price changes in all basic materials used by British industry except fuel) dropped by another 1.2 per cent to 144.1 (June, 1949, equals 100). Increases in some materials,



notably lead (up by 4.6 per cent) and raw cotton (up by 0.6 per cent) were more than offset by falls of 12.0 per cent in tin, 5.0 per cent in rubber and 2.2 per cent in raw wool. The price indices for materials used by the mechanical and electrical engineering industries temporarily moved against the basic trend in July, rising by 1.0 per cent and 1.3 per cent respectively. This was mainly because of a jump of 21.3 per cent in the price of brass ingots. The chart illustrates the time-lag in movements between the highly sensitive basic index and the less sensitive indices for the two engineering industries. It shows, incidentally, that—in contrast to some private indices that are based on the prices of commodities dealt in on the commodity markets—all three of these official indices are still well above the levels of June, 1950, when the Korean war began.

Changed Pattern of Trade

DETAILED analysis of the trade figures for the first half of this year confirms that Britain has maintained the marked change in the geographical pattern of trade that was brought about by the crisis measures of end-1951 and early 1952. Despite the easing this spring of the restraints upon imports from OEEC countries and the greater freedom for some hard currency imports consequent upon the re-opening of commodity markets, British imports from non-sterling sources in the first half of this year amounted

UNITED KINGDOM TRADE BY AREAS
(Monthly averages in £ million)

	Imports, c.i.f. 1st half		Total exports, f.o.b. 1st half		Gross visible deficit 1st half	
	1952	1953	1952	1953	1952	1953
Dollar area	70	49	31	34	40	16
OEEC area	78	64	58	62	20	2
Other non-sterling areas	50	37	34	21	14	15
Non-sterling areas combined	198	150	123	117	74	33
Percentage of total ...	62	53	51	54	96	52
Sterling area	120	132	118	101	2	31
Percentage of total ...	38	47	49	46	4	43
TOTAL	318	282	241	218	77	64

to only 53 per cent of total imports—a proportion that contrasts with 62 per cent for the first half of 1952 but is roughly the same as that attained in the second half of this year. This contrast is clearly brought out in an analysis published this week by the Board of Trade, the salient figures from which are summarised in the accompanying table. The proportion of total imports coming from the sterling area, of course, rose correspondingly from 38 to 47 per cent. Simultaneously, exports to the non-sterling area rose from 51 per cent of the total to 54 per cent and those to the sterling area fell by three points

to 46 per cent. Non-sterling imports dropped by no less than 24.2 per cent, whereas total imports fell by 11.5 per cent, but non-sterling exports fell by only 4.9 per cent compared with a 9.5 per cent fall on the total. The gross visible deficit in the first half of 1953 was therefore almost equally divided between trade with the non-sterling and sterling areas, as it was in the last half of 1952; whereas in the first half of 1952 it was attributable almost wholly to trade with the non-sterling area.

This pattern is unlikely to be substantially altered in the second half of this year. Although some further easing of restraints upon imports from OEEC is generally expected, any such concessions will take time to show their full effect; on the other hand, a further relaxation of restrictions can be expected in Australia and other sterling markets. The rise this year in imports from the sterling area in the first half of this year chiefly reflected much larger shipments of raw wool and cocoa; imports of raw wool were 66 per cent higher by value than in the last half of 1952 and 36 per cent higher than in the first half.

The value of exports to the non-sterling area remained at the lower level established in the last half of 1952; an increase of £5 million a month to the dollar and OEEC countries together was offset by a fall in exports to other non-sterling countries, owing to smaller shipments of engineering goods to restricted markets in Finland, Egypt, Brazil and Argentina. Larger shipments of chemicals and refined petroleum accounted for most of the increase in exports to the OEEC countries. The recovery in exports to the sterling area, which were £5 million a month above the level of the second half of 1952, was spread over nearly all groups of manufactures, but was particularly marked in the metals and engineering groups.

Freer Dutch Exchanges

HOLLAND has taken yet another step towards a freer economy. Foreign exchange balances need no longer be handed over to the Netherlands Bank, but may now be held by all Dutch residents, enterprises and commercial banks. The immediate effect of the new freedom will be to "spread" Dutch exchange reserves, so that the holdings of the Netherlands Bank may be expected to fall in the coming weeks. This relaxation does not, of course, amount to convertibility for the guilder, under any interpretation of that much misused term. United States and Canadian dollars can still be exchanged only against guilders; but all other currencies may be converted into one another without restriction for current account transactions—although exchange control still applies to capital transactions in all fields.

The Netherlands now appears to exercise more liberal foreign exchange regulations than any other European country except Switzerland, and it seems well able to sustain them. Despite last winter's floods, it is estimated that the balance of payments will still be in surplus this year to the tune of about \$150 million; last year's surplus was over three times this figure, so that the Netherlands was able to renounce all United States aid early in the year, and has yet succeeded in raising its foreign exchange reserves to approximately \$1,100 million—a very large reserve indeed

for a country of this size. Holland's transformation from one of the most chronic deficit countries in Europe to its present position of strength has been achieved within the space of two years; and it should not escape attention that the improvement has coincided with a reversion—much criticised at first—to orthodox economic and monetary policies. Now that the Dutch Government has gone thus far, it could surely give the lead to some of its weaker neighbours by abolishing its obnoxious scheme for partial retention by exporters of dollar earnings.

Dispersal for Aircraft Designers?

THE de Havilland Aircraft Company has brought over to this country a small aircraft, the Beaver, built by its Canadian subsidiary. It is a highly specialised design, intended to meet operating conditions peculiar to the Canadian Great Lakes, and its landing gear offers a choice of wheels, skis or floats. It can carry a load equivalent to 6 passengers and a pilot. The importance of the Beaver is not that it is a pleasant and financially successful piece of designing but that it was designed in Canada. There is an obvious risk, in the event of war, in having designers in whose hands lies the future of the country's defences concentrated in so small and vulnerable an area as the British Isles. Aircraft design needs considerable experience, of a kind not easily found in an industrially young country; and, in an attempt to encourage it, one or two British companies have taken steps to allow their subsidiary companies in Commonwealth countries to experiment with their own local designs. The Beaver is the product of one such team. Its success in meeting a set of local conditions that are apparently not restricted to Canada is shown by the fact that more than 500 are now in operation; quite a number of them have been bought by the United States Army and are in service in Korea.

Designing on a far more ambitious scale has been undertaken by the Hawker Siddeley subsidiary, Avro Canada, which is responsible for the production of a night fighter—again designed for special Canadian requirements—and of the Orenda jet engine that powers it. Avro Canada is also reported to be designing a genuine flying saucer; its military role has not yet been disclosed.

Aircraft orders are not, however, so plentiful that companies can contemplate spreading their resources in this way on any great scale, nor is diversity of designs encouraged by the Services. But circumstances are forcing British companies to open factories outside this country—for example, the assembly factories now being set up for British-designed rockets shipped to Australia for testing on the Woomera range. Whilst British factories rely heavily on export orders for employment, their inability to deliver aircraft in times of general rearmament is leading Commonwealth governments to insist upon local production. India is building Vampires, and Australia, Canberra and Sabres, whilst Rolls-Royce has recently completed its first Canadian factory. Experience suggests that this is a slow and extravagant way of getting aircraft, but it appears an inevitable development from the present prospect of long-term international tension.

Quiet Freight Markets

ALTHOUGH the Chamber of Shipping index of tramp freight rates for July rose slightly from 73.8 to 75.8, fixtures made in the first three weeks of August do not indicate that this improvement is likely to be held. The period between the grain harvests is often one of inactivity in the freight market, and this year charterers in other trades appear to be equally reluctant to fix tonnage. On the Baltic Exchange a fixture at repeated rates, except for prompt tonnage, is regarded almost with vague surprise. The general level of rates, however, is still rather higher than about the same time last year. Last July, for example, the Chamber of Shipping index, computed on the new basis of 1952=100, was 73.5. Although it dropped to 71.2 in August, 1952, subsequent months saw it rise gradually to 88 in November and it remained in the region of the 80s until June last. It is probable that this seasonal pattern will be repeated this year. Time charter rates fell in July, the new Chamber of Shipping time charter index being 57.4 for this month, compared with 61.6 in June and 85.2 in July, 1952. The time charter index is based on an average rate in 1952 of 24s. 5d. per ton dw per month for oil-fired steamships and 27s. 10d. per month for motorships. Recent fixtures of vessels on time charter for varying periods suggest that rates will improve during coming months. Nevertheless, a substantial increase in freight rates will be needed to offset the recent advance (now somewhat modified) in oil bunker prices, which will seriously affect voyage accounts.

At current freight levels the margin of profitability must be extremely narrow, and there is no doubt that in certain cases it has disappeared. Some owners have accepted fixtures which are bound to show a loss, rather than incur the expense of laying up, in the hope that this may be avoided; but laying up cannot be deferred too long. According to the Chamber of Shipping, tonnage laid up

in the United Kingdom on July 1 for reasons other than repair amounted to 166,709 tons gross. Although this shows only a slight increase during the quarter, it compares with the small figure of 41,074 tons a year ago. The August decline in freights last year, however, resulted in an increase in the laid-up figure to as much as 290,393 tons on October 1; and the simultaneous incidence of higher bunker costs and lower freights may well cause another procession to the laying-up berths.

SHORTER NOTES

For the third time the Capital Issues Committee has turned down an application by United Dominions Trust for permission to increase its share capital. The chairman of the trust, Mr Gibson Jarvie, has declared frankly that he is "regretfully forced to the conclusion" that this refusal is due either to "wilful prejudice" or else to Government planners' "inability to discriminate between a hire-purchase agreement used purely as a security instrument in the acquisition of a combine harvester or ship's engines, for example, and a hire-purchase agreement covering a radio set or a washing machine." Mr Jarvie agrees, however, that the company is still "comfortably within the accepted ratio of capital to borrowings (whether by loans, deposits or acceptances)," and that even without an increase in capital it should be able to continue its present remarkable rate of expansion for some years to come.

★

The level of activity at British ports in the second quarter of this year, as measured by the tonnage of cargo shipping engaged in foreign trade entering them and being cleared, was the highest for the second quarter of any year since 1939. Vessels entering these ports totalled 17,600,000 tons, and vessels cleared 12,400,000 tons. Clearances from London were 14 per cent higher than at this time last year.

The directors maintain ruefully that the group has not had its "fair share of Government orders," but then go on to draw the cheerful conclusion that the group's business will not be undermined by any pruning in the defence programme. The immediate prosperity of the Pye group will depend more upon sales of television sets than on sales of radios; and it is not surprising that the report contains a strong plea for commercial television programmes. There is very little comment on the course of trade in the last few months, but trends here can hardly have been other than favourable; the Coronation and cricket will have seen to that.

★

PINCHIN, JOHNSON. In his statement accompanying the full accounts of Pinchin, Johnson and Associates, the chairman, Mr G. R. T. Taylor, confirms the earlier belief in the market that the drop in the group's trading profits (from £1,958,819 to £1,476,076) was due to a worldwide fall in demand for paint; this led to stiffer competition between paint manufacturers in narrowing markets both at home and abroad. For the first time

for several years the volume and value of the parent company's sales fell and its profit margins were reduced; abroad, the majority of Pinchin Johnson's subsidiaries were faced with equally difficult conditions. The group had wisely begun to reduce its stocks in advance of the fall in prices, and it has not had to suffer any heavy losses

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	1,958,819	1,476,076
Total income.....	2,027,164	1,546,807
Depreciation.....	196,066	195,924
Taxation.....	1,076,178	718,159
Net profit.....	520,893	422,496
Ordinary dividends....	345,161	284,347
Ordinary dividends (per cent).....	25	20
Contingencies reserve ..	200,000	...
General reserves.....	62,401	38,831
Added to group carry forward.....	Dr112,683	74,836
Cons. balance sheet:—		
Fixed assets, less depreciation.....	2,603,344	3,073,034
Net current assets.....	5,393,804	6,782,931
Stocks.....	5,055,055	5,201,934
Cash.....	470,614	1,413,291
Debtenture capital.....	...	1,370,000
Reserves.....	4,425,438	4,606,447
Ordinary capital.....	2,629,800	2,629,800

10s. ordinary share at 32s. 9d. yields £6 2s. per cent.

on these. In fact, in the consolidated balance sheet the book value of stocks is shown to have risen from £5,055,055 to £5,201,934—an increase that suggests that some products were piling up unsold in the group's factories. Another sign of caution is that the directors have decided to leave the contingencies and stock depreciation reserve unchanged at £500,000 and to reduce the ordinary dividend from 25 to 20 per cent—a decision that was discussed in these columns on July 18th.

Indeed, perhaps the only heartening feature of the company's full accounts is that last year's loan stock issue has led to a substantial improvement in liquid resources. Moreover, the directors expect that bank loans and overdrafts of £912,959, which have been run up by overseas subsidiaries, will be substantially reduced in the current financial year. But

it is to an improvement in trade rather than to a strengthening in liquid balances that shareholders must pin their not very buoyant hopes for the year ahead.

★

DEBENHAMS. The 4s. ordinary shares in Debenhams have recently been the most active of all securities in the shops and stores group in the London stock market. They had almost exactly doubled from a low point of 15s. 9d. earlier this year to a peak of 31s. 3d. at one time last week. This upsurge followed rumours that Debenhams might write up the value of their properties to their present-day values and possibly make a capital distribution to shareholders—in the same way as Johnson (Dyers) Ltd. have recently done, after many rumours of possible take-over bids. In the event, however, the announcement by Debenhams this week, though it confirms these rumours to some extent, has disappointed the most determined bulls, for it offers no immediate gain to shareholders; the shares were therefore marked down by 1s. to 29s.

The company has revalued its investments in subsidiaries "on a basis considered fair and reasonable by the company's auditors," and has used this revaluation as an opportunity to capitalise £3 million from reserves so as to write up the nominal value of the ordinary shares from 4s. to 10s. each. The directors consider that the proposed scrip issue should not take place until after the annual general meeting in December, when shareholders will have in their possession the company's accounts for the year to July 31, 1953. The present price of the shares is therefore only justified by the hope that the scrip issue foreshadows an increase in equity dividends. There are grounds for optimism on this score, for recently the interim ordinary dividend was raised from 8½ per cent to 12½ per cent.

LONDON STOCK EXCHANGE

Next Account begins: September 2nd.
Next Contango Day: September 2nd.
Next Settlement Day: August 25th.

THE stock markets continued to make a good showing at the end of the old account and the beginning of the new Business in the gilt-edged market was at a low ebb but the undertone remained firm; some gains were made by the longer-dated nationalisation stocks and by the close on Wednesday the price of the new Gas stock had improved to ¼ premium. Insurance shares scored a few minor advances, but home banking issues tended to drift slightly lower. The foreign market remained quiet, though German issues showed some improvement. In the market for dollar stocks, the new exchange control regulations or switching operations established a common premium on United States and Canadian securities. At first a premium of 4 per cent (on the middle rate of \$2.80 to the £) was quoted, but later on a common premium of 3½ per cent was quoted on the actual exchange rates of the U.S. dollar and the Canadian dollar. In the initial re-shuffle, such stocks as International Nickel (which earlier had been quoted in London at only a very slight premium above the Canadian price) were marked up, while "Canpacs" and others that had previously carried a higher premium, were marked down.

Steady advances in prices were recorded throughout almost the whole of the industrial market and by the close on Wednesday, the *Financial Times* ordinary share index had improved to 123.7, compare with 122.6 a week earlier. Some of the biggest advances were made on the first day of the new account, while the share which were most in demand were those of the shops and stores group. Oil share which were a little unsteady at the end of the old account, staged a recovery on Wednesday under the lead of Anglo-Iranian, which were marked up to 7½ following the news of the revolt in Iraq. Very few price changes were recorded in the Kaffir market, but copper and tin shares continued to improve.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Aug. 12...	122.6	108.87	4.09	5.70
" 13...	122.6	108.87	4.09	5.70
" 14...	123.1	108.89	4.09	5.67
" 17...	123.2	108.89	4.09	5.67
" 18...	123.3	108.93	4.09	5.66
" 19...	123.7	108.97	4.09	5.65
1953, High.	125.0	108.97	Aug. 12	6.845
" Low.	(Mar. 6)	108.19	" 13	6.492
" (May 20)	113.9	105.68	" 14	6.636
		(Jan. 5)	" 17	8.322
1952, High.	121.5	106.66	" 18	7.307
" Low.	(Jan. 1)	(Jan. 9)	" 19	7.382
" (June 24)	103.1	100.67		

* July 1, 1925=100. † 1928=100.

Company Notes

PYE. If shareholders in Pye can persuade themselves to turn away from the cartoons and articles (including one reproduced from *Punch*) in the 1952-53 report, they will find that the company's own accounts make equally cheerful reading. There was a much bigger expansion in the group's business last year than the rise in trading profits (from £783,554 to £955,992) would at first suggest, for profit margins fell following a judicious cut in selling prices. The group's export business also expanded, except in electrical appliances where the closing of the Australian market dealt the group a severe blow. Stocks fell in value from £2,748,174 to £2,606,210; and this, together with last year's issue of 578,747 deferred 5s. ordinary shares at 12s. each, enabled the group to reinforce its liquid resources. Its bank overdraft was reduced from £444,715 to £157,026 and its cash balances were increased from £36,007 to £197,464. This reinforcement of resources and the advance in profits were sufficiently strong to encourage the directors

to pay a dividend of 20 per cent on the new ordinary capital of £602,862, compared with 18 per cent on the original capital of £434,061 a year ago.

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	783,554	955,992
Total income.....	788,400	961,962
Depreciation.....	98,783	135,018
Taxation.....	448,820	508,256
Net profit.....	160,579	232,993
Ordinary dividends....	53,552	69,807
Ordinary dividends (per cent).....	18*	20
Dividend reserve.....	21,000	...
Added to group carry forward.....	113,304	193,286
Cons. balance sheet:—		
Fixed assets, less depreciation.....	789,740	957,010
Net current assets.....	2,014,053	2,339,736
Stocks.....	2,748,174	2,606,210
Hire purchase debtors..	300,604	198,735
Cash.....	36,007	197,464
Bank overdraft.....	444,715	157,026
Reserves.....	857,984	1,218,502
Ordinary capital.....	434,061	602,862

5s. deferred ord. stock at 18s. 9d. yields £5 7s. per cent.
* Including 5½ per cent from dividend reserve.

LONDON ACTIVE SECURITIES

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

(a) To earliest date. (b) Flat yield. (c) To latest date. (d) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 Jan. 1 to Aug. 19		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Aug. 12, 1953	Price, Aug. 19, 1953	Yield, Aug. 19, 1953 %
High	Low					
88 1/2	81 1/2	Aust. 3 1/2% '65-69	87 1/2	88 1/2	88 1/2	4 5/32
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65	93 1/2	93 1/2	93 1/2	3 19 10 1/2
98 1/2	94 1/2	S. Africa 3 1/2% '54-59	96 1/2	96 1/2	96 1/2	4 5 4/8
68 1/2	60 1/2	L.C.C. 3% aft. 1920	69 1/2	69 1/2	69 1/2	4 6 4/8
91 1/2	84 1/2	Liverpool 3% '54-64	93 1/2	93 1/2	93 1/2	3 15 10 1/2
103 1/2	97 1/2	P.L.A. 3 1/2% '66-71	91 1/2	91 1/2	91 1/2	4 4 8/8
68 1/2	61 1/2	Agrie. Mort. 5% '59-89	102 1/2	102 1/2	102 1/2	4 12 3/8
13 1/2	5 1/2	Austria 4 1/2% '34-59	73 1/2	73 1/2	73 1/2	4 12 5/8
68 1/2	43 1/2	Chinese 5% 1913	15 1/2	15 1/2	15 1/2	Nil
85 1/2	45 1/2	German 5%	56 1/2	56 1/2	56 1/2	...
145 1/2	103 1/2	German 4 1/2%	74 1/2	74 1/2	74 1/2	...
		Japan 5% 1907	129 1/2	129 1/2	129 1/2	...

Prices, 1953 Jan. 1 to Aug. 19		ORDINARY STOCKS		Price, Aug. 12, 1953	Price, Aug. 19, 1953	Yield, Aug. 19, 1953 %
High	Low					
66 1/2	58 1/2	Barclays "B" £1	66 1/2	65 6/8	65 6/8	4 5 6/8
54 9/8	46 3/8	Lloyds "A" £5, £1 pd.	53 6/8	53 6/8	53 6/8	4 9 9/8
72 9/8	64 3/8	Midland £1, fully pd.	72 1/2	72 1/2	72 1/2	4 8 11/8
74 1/2	59 3/8	N. Prov. "B" £5, £1 pd.	73 6/8	73 6/8	73 6/8	4 12 6/8
82 1/2	70 1/2	Westminster £4, £1 pd.	81 6/8	81 1/2	81 1/2	4 8 11/8
75 3/8	67 6/8	Alexanders £2, £1 pd.	74 1/2	74 1/2	74 1/2	4 14 7/8
40 6/8	35 6/8	Nat. Disc. "A" £1	39 9/8	40 1/2	40 1/2	5 0 0
46 3/8	39 1/2	Union Disc. £1	43 1/2	44 1/2	44 1/2	4 10 11/8
39 7/8	32 3/8	Banc. (D.C. & O.) "A" £1	37 6/8	37 1/2	37 1/2	4 6 6/8
49 1/2	39 3/8	Chart. Bk. of India £1	42 1/2	42 1/2	42 1/2	6 13 4/8
		INSURANCE				
8 1/2	7 1/2	Leg. & Gen. £1 5/- pd.	8 1/2	8 1/2	8 1/2	3 18 3/8
21 1/2	17 1/2	Pearl £1, fully pd.	20 1/2	20 1/2	20 1/2	5 6 5/8
38 1/2	32 1/2	Prudential "A" £1	36 1/2	36 1/2	36 1/2	5 3 11/8
		BREWERIES, ETC.				
131 1/2	114 9/8	10 Bass £1	117 6/8	116 3/8	116 3/8	7 7 11/8
17 7/8	15 9/8	15 Distillers 4/-	16 9/8	16 9/8	16 9/8	5 7 6/8
31 1/2	27 1/2	7 Guinness 10/-	28 9/8	29 3/8	29 3/8	5 16 3/8
10 1/2	8 1/2	4 Ind. Coops 5/-	8 6/8	8 6/8	8 6/8	7 1 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 6/8%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Corporation bonus, not included in yield. (k) To latest date. (l) Yield basis 10%. (m) Dividend of 1 1/2% for 4 months; yield basis 10%. (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 19 1/2% gross. (t) Yield basis 30%. (u) Yield basis 7 1/2%.

New York Closing Prices

	Aug. 12	Aug. 19		Aug. 12	Aug. 19
Balt. & Ohio	25 1/2	24	Am. Smelting	32	31 1/2
Can. Pac.	26 1/2	24 1/2	Am. Viscose	44 1/2	43 1/2
N.Y. Cent.	24 1/2	22 1/2	Cel. of Amer.	26	24 1/2
Pennsyl.	21 1/2	20 1/2	Chrysler	70 1/2	69 1/2
Amer. Tel.	155 1/2	154 1/2	Gen. Elec.	75	75 1/2
Stand. Gas	18 1/2	18 1/2	Gen. Motor	60	58 1/2
United Corp.	5	5	Goodyear	51 1/2	48 1/2
W. Union Tel.	48 1/2	46	Inter. Nickel	41 1/2	40 1/2

* Ex dividend.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Aug. 8th	Western Europe: Production and Trade	Aug. 8th
Production and Consumption	Aug. 15th	British Commonwealth	Aug. 15th
Manpower	This week	Western Europe: Prices and Money Supply	This week
External Trade	July 25th	United States	July 25th
Financial Statistics	This week		
Industrial Profits	Aug. 1st		

Manpower in Great Britain

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	May	June	July	April	May	June	July
TOTAL MANPOWER⁽¹⁾											
Working population:											
Total	'000s	22,954	23,228	23,294	23,300	23,294	23,297	23,309	23,325	23,325	...
Men	"	15,678	15,791	15,864	15,872	15,864	15,865	15,868	15,867	15,862	...
Women	"	7,276	7,437	7,430	7,428	7,430	7,432	7,441	7,458	7,463	...
Armed Forces											
	"	690	827	872	871	872	872	866	867	865	...
Civil employment:											
Total	"	21,993	22,214	22,119	22,114	22,119	22,107	22,110	22,167	22,190	...
Agriculture, forestry and fishing	"	1,161	1,139	1,112	1,103	1,112	1,122	1,072	1,087	1,092	...
Mining and quarrying	"	852	856	875	873	875	876	878	877	876	...
Building and contracting	"	1,434	1,449	1,435	1,420	1,435	1,430	1,436	1,447	1,448	...
Distributive trades	"	2,571	2,600	2,616	2,612	2,616	2,623	2,631	2,638	2,641	...
Public administration	"	1,362	1,350	1,336	1,338	1,336	1,336	1,324	1,322	1,320	...
Manufacturing industries	"	8,510	8,736	8,626	8,677	8,626	8,590	8,715	8,724	8,723	...
CHANGES IN EMPLOYMENT⁽¹⁾											
Increase or decrease since June, 1950:											
Employees in engineering ⁽²⁾	'000s	—	+ 103	+ 212	+ 229	+ 212	+ 196	+ 191	+ 189	...	...
" " consumer goods industries ⁽²⁾	"	—	+ 74	— 126	— 109	— 126	— 142	— 7	+ 6	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	'000s	314.2	252.9	414.2	467.4	440.1	393.5	375.8	340.3	297.7	272.7
" " —men	"	220.1	161.5	227.8	235.1	223.1	210.0	239.4	214.3	193.6	179.7
" " —women	"	94.1	91.4	186.4	232.3	217.0	183.5	136.4	126.0	104.2	93.0
Temporary or under 2 weeks—men	"	59.2	49.8	87.8	106.6	102.4	86.8	74.2	66.9	60.0	56.4
" " —women	"	33.8	37.7	94.7	137.1	128.6	97.4	46.8	43.0	35.6	32.8
Over 8 weeks—men	"	105.3	73.2	85.9	84.4	76.3	80.6	111.5	102.2	90.7	87.3
" " —women	"	32.5	27.9	50.2	52.7	48.7	51.7	55.8	50.7	42.8	38.7
By industry⁽³⁾:											
Textiles	%	0.6	0.8	8.6	15.6	15.3	10.9	1.5	1.4	1.2	1.0
Clothing	"	1.1	1.7	2.9	3.0	3.6	3.2	1.1	1.2	1.5	1.3
Vehicles	"	0.8	0.5	0.7	0.7	0.7	0.8	0.9	0.8	0.7	0.6
Engineering, etc.	"	1.5	4.0	1.4	1.3	1.4	1.4	1.5	1.5	1.4	1.2
Coal-mining	"	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Distributive trades	"	1.2	1.1	1.5	1.5	1.3	1.3	1.6	1.5	1.3	1.2
By regions⁽⁴⁾:											
Great Britain	"	1.5	1.2	2.0	2.2	2.1	1.9	1.8	1.6	1.4	1.3
London and South Eastern	"	1.1	0.9	1.3	1.2	1.2	1.1	1.3	1.2	1.0	0.9
Eastern	"	1.2	0.9	1.3	1.4	1.1	1.0	1.5	1.3	0.9	0.8
Southern	"	1.4	1.1	1.4	1.4	1.2	1.1	1.4	1.4	1.1	0.9
South Western	"	1.4	1.2	1.5	1.4	1.2	1.2	1.8	1.6	1.3	1.2
Midland	"	0.5	0.4	0.9	1.0	1.0	0.9	1.3	1.2	1.0	0.9
North Midland	"	0.6	0.5	1.0	1.3	1.1	1.0	0.7	0.7	0.6	0.5
East and West Ridings	"	0.9	0.9	1.9	2.5	2.3	1.9	1.3	1.2	1.1	1.0
North Western	"	1.6	1.2	3.6	5.1	4.9	3.9	2.3	2.1	1.8	1.7
Northern	"	2.8	2.2	2.6	2.6	2.3	2.2	2.6	2.3	2.1	1.9
Wales	"	3.7	2.7	2.9	2.8	2.6	2.6	3.5	3.1	2.8	2.5
Scotland	"	3.0	2.5	3.3	3.1	3.2	3.2	3.3	3.0	2.7	2.6
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	347	313	230	304	305	309	279	281	296	...
Men	"	190	208	131	197	194	191	151	154	157	...
Women	"	267	105	99	107	111	118	128	127	139	...
DISPUTES⁽⁵⁾											
Workers involved	'000s	25	32	35	39	68	17	18	17	22	...
Working days lost:											
Total	"	116	141	149	173	203	272	75	32	59	...
Mining and quarrying	"	36	29	55	74	57	17	34	14	30	...
Engineering, etc.	"	24	43	66	31	113	233	32	8	24	...
Other industries and services	"	55	69	28	68	33	22	9	10	5	...

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether- lands	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	162	165	149	129	97	140	152	148	104
1953												
February.....	242	108	137	156	162	148	129	96	136	152	141	108
March.....	236	108	137	157	161	146	130	97	136	152	141	107
April.....	231	106	136	156	160	153	130	96	134	152	140	108
May.....	234	106	135	157	160	166	...	97	135	152	140	...
June.....	...	106	135	155	...	180	...	...	...	152	140	...
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	127	122	120	103
1952.....	217	106	123	145	110	146	119	114	127	133	129	109
1953												
February.....	214	105	...	146	109	145	124	116	127	134	130	110
March.....	210	105	...	145	109	148	...	116	127	135	130	110
April.....	197	105	123	145	109	148	...	117	127	135	130	111
May.....	196	105	...	146	108	152	127	118	128	135	130	...
June.....	...	105	...	145	...	...	...	...	...	...	130	...
IMPORT PRICES ⁽²⁾ (1948 = 100)												
1938.....	...	27	40	7	39	...	39	1	24	32	45	21
1951.....	241	120	133	187	127	...	128	112	131	127	145	91
1952.....	250	116	130	181	121	...	129	109	131	132	152	92
1953												
January.....	250	113	...	...	111	...	126	104	115	124	...	96
February.....	260	113	121	166	112	...	124	106	116	128	143	96
March.....	235	114	...	...	110	...	124	103	120	134	...	87
April.....	240	112	...	...	107	...	124	104	117	119	...	84
May.....	...	...	...	...	108	...	...	103	...	133	...	...
EXPORT PRICES ⁽²⁾ (1948 = 100)												
1938.....	...	25	40	6	51	...	37	1	25	32	42	24
1951.....	233	120	109	146	122	...	123	110	115	137	155	128
1952.....	253	120	114	157	131	...	126	107	117	136	153	122
1953												
January.....	210	109	...	...	126	...	126	108	114	114	...	114
February.....	220	107	111	150	127	...	126	110	112	115	137	114
March.....	215	107	...	...	125	...	124	111	108	117	...	113
April.....	217	103	...	...	124	...	117	106	114	109	...	108
May.....	...	90	...	...	122	...	...	108	...	121	...	...
CURRENCY IN CIRCULATION ⁽³⁾												
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	1,741	1,883	8.80	2,198	64.3	1,237	3,039	2,530	4,140	1,179
1952.....	8.79	102.1	1,890	2,124	10.22	2,476	69.9	1,343	3,171	2,791	4,620	1,280
1953												
February.....	8.62	102.1	1,776	2,105	10.22	2,341	67.1	1,244	3,144	2,635	4,440	1,315
March.....	8.53	101.4	1,810	2,128	10.31	2,414	68.1	1,250	3,145	2,690	4,370	1,282
April.....	8.69	102.1	1,814	2,127	10.54	2,476	68.6	1,236	3,167	2,668	4,460	1,272
May.....	8.73	101.9	1,772	...	10.54	...	67.9	1,230	3,172	2,667	4,300	1,282
June.....	8.99	...	1,788	...	...	...	67.4	...	...	2,787	4,400	1,282
GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁴⁾ (mn. US Dollars)												
1938.....	...	736	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1951.....	...	1,054	118.2	799	504	3.8	207	1,045	544	149.9	395	217
1952.....	...	1,077	142.0	676	1,166	9.9	220	910	929	148.3	379	190
1953												
February.....	...	1,051	137.8	619	1,248	10.3	215	856	981	146.8	382	219
March.....	...	1,038	143.5	619	1,276	10.4	219	845	1,025	147.3	369	217
April.....	...	1,020	144.8	613	1,358	10.5	219	...	1,010	144.1	342	220
May.....	...	1,006	141.0	...	1,417	10.5	218	...	1,034	142.1	353	220
June.....	...	1,021	141.4	...	...	10.5	215	...	1,074	141.5	365	213

(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) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. (⁴) Notes only for France and Austria.

accordingly. This also applies to a number of markets in South America. The position, however, is such that any balances which we are unable to ship because of currency and other restrictions are readily taken up by other markets where no such difficulties exist.

I am satisfied that the policy which we have adopted and are continuing to pursue, i.e., the restriction of supplies within the limits of availability of our adequately matured stocks, is one which has undoubtedly enhanced the reputation of our brands in the markets of the world. It will, I am certain, bear fruit when more plentiful supplies are available. The essence of success in our whisky business lies in quality, and there can be no departure from the standards which we have set ourselves in this respect and have so firmly maintained throughout the difficult postwar years. This standard rests on a basis of unchallenged excellence, a true and unvarying hall-mark which is universally recognised and respected.

Last year I referred to the export of immature whisky and expressed the hope that the responsible Government department would decide to impose a complete embargo on such traffic. Unfortunately this hope has not been realised. Although the export of immature whisky has been made subject to license and comparatively small quantities are being authorised, once again I desire to place on record and emphasise my view that export from this country of immature whisky is utterly opposed to the best interests of the industry.

It may be appropriate for me to refer to a notion, which has been aired in certain quarters and which has also received wide press publicity, that some national benefit would ensue if the price of Scotch whisky exported to the United States were doubled, or at least substantially increased. To those who have practical experience of this sensitive and highly competitive market, the suggestion is in obvious conflict with logic and common sense. It is true that the demand for our major brands exceeds the available supply but the foothold of the industry in the United States, although slowly growing firmer, is still slender in relation to the total volume of domestic and other whiskies consumed in that valuable market. To trifle with such a delicate price structure would have a suicidal effect on our business. Scotch whisky remains the largest single dollar-earning commodity that this country possesses and I am glad to say that this Government, like the previous one, has endorsed our policy and is content to leave the question of price to the industry itself.

Two years ago I had occasion to refer to a compliment paid to the Scotch Whisky Association by the then Financial Secretary to the Treasury. I am happy to say that the efforts which we have made since that time have received further recognition. When addressing the Scotch Whisky Association in 1952, the Chancellor of the Exchequer, the Rt Hon R. A. Butler, said:

"... It is quite clear to me that your industry has borne a burden and performed a duty in a spirit which is wholly admirable, and I would like to take this opportunity, on behalf of the Government, to congratulate all those present, whether you have come from Scotland or England, for the sense of service with which you have performed your duty within your industry. ..."

GIN

I am pleased to report a successful year's trading by our gin companies, although due to higher costs of raw materials the profits were somewhat reduced. Home and export sales both show substantial increases over

the previous 12 months and the output from our plant at Linden, New Jersey, has also considerably exceeded that of last year.

There is evidence of growing appreciation in all markets of the care with which the high standards of our brands are maintained and, although in the home market the upward trend may be to some extent influenced by the shortage of whisky supplies, this satisfactory movement can be attributed, to a large degree, to the care and experience devoted to our gin products at every stage of manufacture.

During the course of the year we erected and brought into operation a gin-producing plant at Isando, South Africa. This plant has only been in production for a few months but I view its future with full confidence.

YEAST

Our yeast factories were well employed throughout the year. A new form of packaging has been adopted by our distributing companies which is more hygienic and more economical to the consumer than the former package. The total sales are somewhat less than the previous year, reflecting partly the economy afforded by the new package and the lower consumption of bread due possibly to the improved general food position. Despite active competition in this market, the year's results were satisfactory.

INDUSTRIAL SECTION

In my statement last year, I drew attention to the sharp recession in trade which had then developed and which, in fact, continued throughout the greater part of the year now under review. The change from a sellers' to a buyers' market developed rapidly, resulting in a general loss of confidence which was particularly reflected in the chemical industry. In common with most other industrial undertakings, the operations of the various groups which comprise our industrial section were adversely affected, both as regards turnover and profit margins, but this was most marked in the chemical field. The inflationary conditions which prevailed in the immediate postwar years, and the abnormally high prices of raw materials, were bound to have the repercussions to which I have referred, and although our earnings have suffered—I believe temporarily—there is little doubt that the present conditions of trade are healthier and on a more realistic basis.

It has to be borne in mind, however, that the emergence of Continental Europe, and in particular Germany with its accelerated economy, has constituted a strong competitive influence in the past year, and this problem still remains. It can only be met successfully by lower prices and increased productivity.

The forecast I made in respect of molasses, which is one of our principal raw materials for the production of ethyl alcohol, has proved to be correct, and towards the end of the year the price fell almost as sharply as it had previously risen. As you will have seen from the accounts, the reserve created for this purpose was used to write down our stocks of molasses and finished materials processed therefrom in order to reduce the selling prices of our derivatives to more competitive levels.

Our production of synthetic ethyl alcohol, as distinct from that derived by fermentation of molasses, is now a significant proportion of the total requirements of the United Kingdom. In the USA, there is sufficient synthetic ethyl alcohol capacity to supply the whole of its normal industrial requirements. It is therefore to be hoped that producers of molasses throughout the world will appreciate the necessity for maintaining

stable low prices for this by-product of the sugar industry, since this is the prerequisite for its continued use on a large scale as a chemical raw material.

Since the beginning of the present financial year, there has been a marked improvement in the demand for industrial alcohol and the various chemicals which we manufacture, and I am hopeful that this upward trend will continue.

Sales of carbon dioxide during this past year were a record for the company, and steps have been taken to extend our manufacturing capacity, part of which will be in operation during the current year.

British Petroleum Chemicals Limited.—The plant at Grangemouth has operated very successfully throughout the year, and its present output of synthetic industrial alcohol and isopropyl alcohol is in excess of the designed capacity. This plant, with its present main products based on petroleum should prove to be a valuable asset in the company's industrial operations, and, in due course, it is our intention to extend the range of products manufactured at Grangemouth.

I am glad to say that the monomeric styrene plant of Forth Chemicals Limited at Grangemouth was commissioned during the year, and is now operating to designed capacity, which is fully absorbed by the present sales demands.

Biochemicals Division.—Despite intensive competition both at home and abroad our factory at Speke has enjoyed a reasonable level of production of penicillin and streptomycin throughout the period. The new plant to increase production of both these materials was largely completed during the year, and this has assisted materially in meeting the requirements of consumers. New forms of these two staple antibiotics have been marketed and well received by the medical and pharmaceutical professions. Considerable progress has been made in developing supplements for incorporation in animal feeding stuffs, and it is anticipated that sales for this purpose will, in due course, make a useful contribution to our output.

Due to progressive process development and rising consumption, there have been a series of major reductions in selling prices over the last few years. Competition remains very keen, particularly in export markets where prices are still falling, but our modern plant and technical resources should help us to meet these conditions and secure a proper share of the business.

Plastics Division.—The consuming industries supplied by our plastics group were particularly affected by the recession in trade, and this was very marked in the sales of the older types of materials. However, I am glad to be able to report that during recent months the position has improved considerably.

The plant of British Geon Limited producing polyvinyl chloride is operating at full capacity. The ever-widening demand for this plastic material still exceeds production, and steps are being taken to increase our capacity by 25 per cent. It is hoped that this extension will become effective early in 1954.

Magnesium.—Our subsidiary, Magnesium Elektron Limited, has had a good year, and continues to supply its special light alloys to a widening circle of consumers at home and abroad. Our exports of special alloying materials to the United States and Canada have been well maintained.

South Africa.—Our associated company, National Chemical Products Limited, had a successful year, and has benefited from new plant and equipment recently installed. Further schemes of expansion in the manu-

facture of chemical products based on indigenous raw materials are now being progressed, which should add appreciably to the strength of this company.

Australia.—The new plant of our associated company, CSR Chemicals Pty Limited, to which I referred last year, has been commissioned, and is now producing a high quality cellulose acetate for the rayon and plastic industries. The solvents and chemicals factory of Robert Corbett Pty Limited, which has now been merged with CSR Chemicals Pty Limited, has recovered from the recession of last year and is now operating at maximum capacity.

At the close of the year, we decided to bring to an end the separate trading operations of a number of subsidiary companies on the industrial side and in future to carry

on these businesses as divisions of the parent company. It is hoped thereby to simplify the administration of this section of the business.

FUTURE PROSPECTS

In view of what I have already said in respect of what might be termed the severe processes of adjustment during the past financial year, arising out of the abnormal or inflationary conditions which have persisted for so long, I feel that shareholders will agree that the results for the year may be regarded as satisfactory.

Although, undoubtedly, the potable side of the company's interests will be confronted with fresh problems in the future, it is nevertheless equipped with such a background of experience and resources that I feel we can

THE ECONOMIST, AUGUST 22, 1953

confidently anticipate it will continue to contribute the major part of the earnings of your company.

So far as our industrial and general interests are concerned, these conform to a pattern which in conditions of national economic stability should show a satisfactory return to the shareholders.

STAFF

I would like to take this opportunity on behalf of the board and also of the shareholders, to thank the staff and all ranks of employees for their loyal and efficient service. The changing conditions of the past year have created many problems and difficulties, and the spirit and resourcefulness with which they have been tackled are deserving of the highest praise.

us as individuals—the opportunity to rise. No man, in present conditions, can establish a fortune unless through a lucky gamble: no man can build his fortune out of wages or salary. Natural incentives must be restored—the opportunity for reward to the able and the willing: hard fare for the able but unwilling. There is no longer real ambition because there is no longer any possibility of satisfying it. The rich are disappearing but no civilisation can exist without them.

Apathy has always been the besetting sin of the British people. It still is. There is little or no enthusiasm today for work or adventure. Too many simply want the maximum wage for the very minimum of work: the shortest hours and complete freedom from responsibility for either the present or the future.

The political economic philosophy of the Welfare State is not only bad economically but it is also morally bad. No civilisation based on spite or envy or on a sentimental altruism can survive. Nor can it live on a foundation of dependence on the State. We, and the people of the world, need freedom to think for ourselves, to act for ourselves and to live our own lives. And we need peace. But these are not compatible with frustration, regulations and restrictions or with class-conscious war or any kind of dictatorship. Peace will only be found when there is happiness, freedom and a reasonable prosperity in the world.

Our country today is like a good engine being driven with the brakes full on. If we are to prosper, nay, if we are to survive, our freedoms and our personal responsibilities must be restored to us.

The report was adopted.

OZALID COMPANY LIMITED

(Makers of Sensitized Papers, &c.)

DIVIDEND MAINTAINED

The annual general meeting of the Ozalid Company, Limited, was held on August 14th in London.

Mr C. A. G. Hewson, chairman and managing director, presiding.

The following is an extract from a summary of the chairman's statement:

I am pleased to announce a further expansion both in profits and turnover. As I mentioned last year, one must not overlook the inflationary trend or the Defence Programme when taking note of the results.

The results for 1953 to date compare favourably with those for the similar period in 1952, and there should be ample profit

THE ECONOMIST, AUGUST 29, 1953



Going up far, Captain Reece?

Standing on the tarmac in broiling weather at mid-day and then in a matter of minutes flying at 20,000 ft. in intense cold, is not the everyday experience of every pilot.

But it is becoming commonplace with the newest types of planes. Rapid changes from one extreme temperature to another call for new materials like silicones if the aircraft is to function perfectly. Silicones are a completely new range of heat and cold resisting fluids, greases, resins and rubbers, marketed by Midland Silicones Ltd., an associated company of Albright & Wilson. They are helping to make it possible for modern aircraft like the De Havilland Comet and the English Electric Canberra to fly higher, faster and farther than ever before.



Chemicals for Industry

ALBRIGHT & WILSON

UNITED DOMINIONS TRUST

GROUP'S NOTABLE CONTRIBUTION TO NATION'S WELL-BEING

MR J. GIBSON JARVIE ON COUNTRY'S PARAMOUNT NEEDS

The thirty-first annual general meeting of United Dominions Trust, Limited, was held on August 18th at Regis House, King William Street, London, E.C.

Mr J. Gibson Jarvie (the chairman), who presided, reviewed in detail the group's existing activities both at home and overseas and, after referring to his pending tour abroad, said:

Australia and Canada offer exceptional opportunities and both should prove fruitful fields for the varied activities of our group. As in South Africa, the Rhodesias and in New Zealand, we aim not to exploit any country in which we are operating but to grow with it: to save its needs to the best of our ability: to make each "United Dominions" Company a real Commonwealth link and to foster, in every way we can, each country's internal trade and its external business with the other members of the Empire—particularly Great Britain.

The group has a capital and surplus amounting to £4,500,000 and assets exceeding £26 million. Over the years United Dominions Trust has clearly made a notable contribution to the industry and commerce of the nation. Yet when we are ready still further to increase the usefulness of the group and to help restore the economy of the country, the Government itself raises an obstructing hand and says "Stop!" Let me explain. In 1950 and again in 1951 we applied to the Capital Issues Committee for permission to increase our capital and on both occasions that permission was refused. In April of this year we made our third application to the Committee, giving them a detailed description of the wide scope of our business and of the quality of the services we are rendering to the national economy. Despite this, our application to the Capital Issues Committee has now been refused for the third time!

A PIONEERING COMPANY

The history of United Dominions Trust gives me the right to describe it as a pioneering company. We are following the road travelled by those who made Britain a great industrial and trading nation and an Empire. At home and abroad our services are promoting the national and international trade of the Commonwealth. We are improving old-established services; we are adding new services. We have fairly established our right to live—and to grow.

Yet when we seek the further expansion which is entirely justified by our record, the

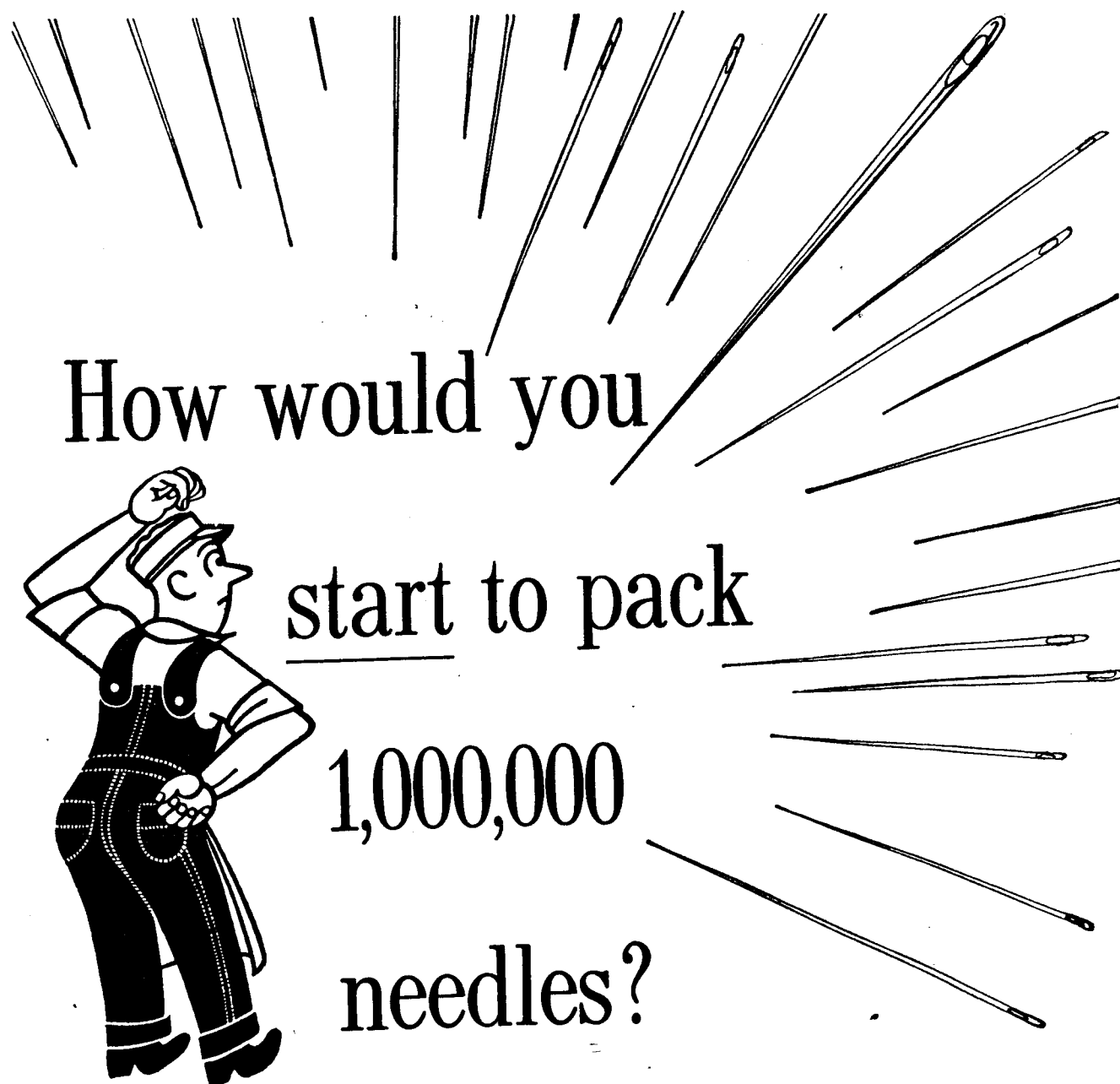
Government intervenes and applies a veto under out-of-date defence regulations! The character of our business and its essential place in our economic system make it incredible that any Government should take this short-sighted and despotic attitude.

I am regretfully forced to the conclusion that we are denied the right to additional capital because of Government planners' wilful prejudice against the company's continued expansion, or their inability to discriminate between a hire-purchase agreement used purely as a security instrument in the acquisition of a combine harvester or ship's engines, for example, and a hire-purchase agreement covering a radio set or a washing machine.

Taxation forces both individuals and companies to serve most of their time in providing the Government with money to squander. So that companies are denied the reserves which expansion and the constant rise in costs require. As individuals, we have no longer any real incentive to work or to save, because taxation leaves us so little of our earnings and destroys the right to provide for dependants on our death. Taxation has brought down Governments and caused revolutions in many countries—history records that it has even happened here. Are we now too supine effectively to protest; must we docilely accept every imposition merely because it is an act of the Government? Once a first duty was to keep taxation low. Constant watch was kept to save where saving was possible. Today all efforts seem to be devoted to the discovery of new sources of revenue and to finding schemes on which to squander the resulting taxes.

THE WELFARE STATE

The Welfare State is presumed and designed to abolish poverty, but if it has in fact reduced one form of poverty it has merely created another in a different class. The country is in a parlous state; there is a crying need for drastic changes in our conception of social rights and duties. There should be free competition between business concerns and between individuals. Our currency should be freed to find its proper level—in all probability a much higher level than that at which it is at present artificially maintained. There should be no interference with natural supply and demand which alone can bring orderly markets out of the present disorder. Only by these means shall we ever get real efficiency, maximum production and—and what is needed to stimulate



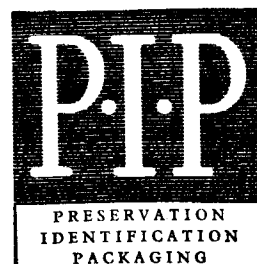
A comprehensive word, *needles*. Involving quite a profusion of packing problems. That's the point.

It is not commonly realised that many types of 'needles'—those used in electronic assemblies, for instance—may be held in storage for periods up to ten years, and are expected to be in perfect condition for use whenever they are taken from the packets. Air must be completely excluded from them; this is ensured by means of special mouldable wrapping and wax-dipping of cartons after packing.

On all such details, the P.I.P. organisation is as sharp as any of the various needles it handles. And that goes for other goods too. P.I.P., you see, is the Remploy group that specialises in Preservation, Identification, Packaging. Its advice on these matters is yours for the asking.

Remploy's P.I.P. organisation, the largest of its kind in the U.K., has 13 factories throughout the country. These provide everything for a complete packaging service—from bag liners and cartons to giant packing cases.

Remploy's



pack anything

The Economist

FOUNDED 1843

AUGUST 29, 1953

ONE SHILLING

Bomb to End Bombs?	547
A Triune Nigeria	548
Persians and Foreigners	550
Variety in Bread	552

NOTES OF THE WEEK

Advice on Convertibility; The Korean Apple-Cart; M. Laniel Reprieved; Will Mau Mau Surrender?; New Technique for Strikes; The Prisoners' Purgatory; New Sultan and Fresh Reforms; Europe in Africa; Building Up Malenkov; Inequalities at School; Parking Penalties; Leg-up for East Germany; Care-takers in Rome; Around St. Paul's; Horseflesh.

554

LETTERS TO THE EDITOR	563
BOOKS AND PUBLICATIONS	564

AMERICAN SURVEY

Debt Dilemmas	567
Uncertain Civil Servants	568
Inquiry Into Trade; Bomb for the Budget; Power Neutrality; Storm in an Additive; Contracting for Equality.	

THE WORLD OVERSEAS

Malenkov Poises the Scalpel	573
The Riots in Ceylon; The Purge in North Korea; Formosa—The Island Fortress; European Refugees in China.	

THE BUSINESS WORLD

Shelter for Sugar's Cinderellas	583
Finance by Bills	585

BUSINESS NOTES

Douglas in Detail; Britain and the Report; Rockets in the Air; The Increase in Exports; The Shadow of Abadan; European Refining Prospects; The Liabilities of Air Lines; Shrinking State Haulage; A Census of Retailers; The Service Trades; The Miners' Autumn Task; Chile Retreats on Copper; Where Two Shifts Pay; Rising Car Output; Less Tobacco; Argentina Courts Foreign Capital; Shorter Notes.

588

COMPANY NOTES AND SECURITY PRICES	596
STATISTICS	599

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Bomb to End Bombs?

WHEN it was announced from Moscow last week that "one of a variety of hydrogen bombs" had been exploded in the Soviet Union the Kremlin added the assurance that no one need feel alarm. It was an ingenious thought but, as it proved, superfluous. For one reason or another no great alarm was shown outside the United States. If Malenkov reckoned that his explosion would shake western nerves before negotiations began about Germany and other matters he was mistaken; for he saw his thunder stolen three days later when the British Minister of Supply spoke of guided weapons now being developed which would hunt down and destroy the atom-bomber whatever its height or speed. What exactly the position is in the race between the H-bomber and the rocket the layman is not told; so for the time being he is puzzled rather than frightened by hearing of one set of scientists bent on defence wrestling for supremacy with another set of scientists bent on offence, both at great expense to himself.

The outcome of this struggle, however, is for the future. The question for the moment is whether the Soviet revelation changes the circumstances in which the Great Powers have to negotiate. It seems probable that neither the Americans nor the Russians yet know how to make and deliver a hydrogen bomb. What has happened is that each side now knows for certain that the other can produce a thermo-nuclear reaction. In terms of military striking power, therefore, things are probably much as they were: the American and British ability to use atomic bombs effectively is probably still greater than that of the Soviet Air Force. How long that advantage will last no one can tell; the important point is that it still exists at a time when critical negotiations between the Soviet Union and the western powers seem possible.

On the other hand the Soviet revelation must have deep and subtle effects on the attitude of Americans and on the prestige of their government in the world. Last year the Atomic Energy Commission said that the American lead over the Russians in "thermo-nuclear weapon research" was approximately four years. The news from Moscow suggests that it was wide of the mark. It appears that the hydrogen bomb, if it can be made, will not give the United States permanent decisive military superiority through one weapon; at best American installations will make them better and faster than Soviet installations. It is, of course, possible that both governments will decide that to build up a stock of these weapons—as distinct from making an experimental bomb—would be too expensive; if there is good reason to believe, on a long view, that the days of the strategic bomber's supremacy are numbered, nothing could be more wasteful than a hydrogen bomb race. Indeed, it may be that the attempt to attain decisive military superiority by such means is reaching the point of absurdity. But for the absurdity to be perceived it was necessary that both the United States and the Soviet Union should be certain

that the other was on the way to producing the bomb to end bombs.

This is not to say that the news of the Soviet explosion is welcome. On the contrary it marks an important military gain to a government that has been, until recently, openly and bitterly hostile to this country. That enormous destructive power should be in the hands of a ruthless regime, on which there is no effective check by parliament or public discussion, is a most disturbing thought. On the other hand, if this Soviet advance had to come one day, it was better that it should come at this early stage of Mr Eisenhower's Presidency and disperse some of the wishful thinking that had grown up around the notion of western superiority in atomic weapons. It will bring Americans themselves closer to understanding what Europeans—even the bravest of them—feel when they think seriously about atomic warfare; for if the H-bomb race goes on the United States will feel threatened as never before.

The Soviet Government has, of course, once again insisted that it wants international agreement to abolish all weapons of mass destruction. On this matter it is best to have no illusions. There will be no scrapping of atomic weapons under international auspices until adequate and enforceable controls have been devised; such controls are out of the question until the governments of the Great Powers will accept close and continuous international inspection of their installations and stockpiles. Is it conceivable that the United States and the Soviet Union, to say nothing of this country, will in the predictable future accept such an intrusion on vital secrets, such an interference with national sovereignty? Logic may point to their doing so and to the establishment of an international authority which alone could wield the supreme weapon and prevent war by the threat of its use. But such a body would in fact

assume the powers of a world government; and if it is the ambition of the United Nations to act in that role its prospects of success have never looked more remote than they do now. Clearly, the only hope of calling a halt in the atomic race lies in American-Soviet agreement, not in the first place about armaments but about some of the issues that divide them. Disarmament, if it comes at all, will come eventually from growing confidence that the risks of conflict are diminishing; and that confidence can come only from the gradual removal of differences by negotiation.

For the immediate future, therefore, the prospect is obvious. The technical competition between West and East, between offence and defence, between ways of getting the bomber through and ways of getting the bomber down will go on. If the West is to succeed in its policy of negotiating with the Soviet Union from strength it must keep its technical lead—not necessarily by stockpiling hydrogen bombs—but above all it must maintain its unity. Some way must be found of surmounting or removing the barriers that divide American and British scientists and military planners in the field of atomic development. It is absurd that the Americans should be—as it appears—secretly well ahead of the British in finding out how a hydrogen bomb can be made and dropped, while the British are secretly well ahead of the Americans in finding out how to clear the sky of bombers. Such lack of co-operation in research and development must make a serious drain on the resources of both nations. If they were working fully together and mobilising the resources of the Nato nations to assist them, it is a fair presumption that Soviet chances of cutting down seriously the western lead would be smaller than they now are. Malenkov's hydrogen explosion should strengthen their determination not to be divided on the really vital issues and to maintain a powerful Atlantic alliance.

A Triune Nigeria

THE conference on the Nigerian constitution ended last week with a far greater measure of agreement between the leaders of the three regions than seemed likely when they first arrived in London. The final compromise, the details of which will shortly be published as a White Paper, should make it possible to resume normal government immediately, and to proceed with further constitutional development in accordance with the Nigerian ambition of self rule and Dominion status. Great credit reflects on the Secretary of State and his Colonial Office advisers for their tactful handling of the talks; and also on the statesmanship of the Nigerians themselves in making the concessions, often difficult concessions, necessary to keep the major objective—the unity of a self-governing Nigeria—in view. Provided there is good will on all sides, Nigerians can

now move together towards the second version of a "Gold Coast solution."

Because unanimity was reached on so much, it would be most regrettable if the remaining points of disagreement were to undo the progress already made. The most dangerous of these unsettled issues is the position of Lagos—the problem of finding a federal capital. Between now and January, when the conference will be reconvened in Nigeria to study the fiscal commissioner's report on the allocation of revenue, a solution will have to be found. During these months, also, the Nigerian leaders will have to get the proposed constitution accepted by their followers. It is too soon to say what the response will be; but it would be optimistic to expect that, away from the neutral atmosphere of London, Nigerian politicians will find it easy to stand

by their conciliatory words. But they can all make out a good case to their—sometimes fire-eating—nationalist followers. For within the federal compromise, each region is getting most of its demands. The eastern and western regions have secured a big reduction in the Colonial Office's control and a large instalment of self-government now, with a promise of the rest in 1956 as their slogan demands. The northern region is keeping its present status and its trusted British colonial servants; and it is gaining a regional civil service in which northerners can be trained, given preference and be sure of promotion. Because the British Government has retained some control over central affairs, even after 1956, it, in turn, has felt able to concede the withdrawal of officials or ex-officio members from the Legislative and Executive Councils of the eastern and western regions.

But all this has been achieved at the expense of a much weaker central government. Dr Azikiwe has formally abandoned his insistence upon a strong centre—indeed a unitary government; his political mantle has fallen rather oddly on Mr Nwapa and the breakaway National Independence Party. On the other hand, northern leaders, including the Northern Peoples' Congress, have given up their demand that federation should be reduced to a mere "Central Agency" for administering a few common services, such as railways, harbours and customs—something more shadowy even than the East African High Commission. There is to be a real federal government to wield limited but important powers. In some ways it should prove better than that which preceded it, and whose breakdown caused the crisis and the outburst of anti-British rancour. It should be able to speak for Nigeria and (since it controls the police) to preserve the tranquil conditions in which the regional governments, which no longer have to send up their measures to the centre for approval, can carry on the government of Africans, by Africans, for Africans.

Yet it is necessary to emphasise that harmony depends on good will between the autonomous regions. The new federal constitution is not even Australian in form; for not only have federal powers been reduced and defined, but regional control over their exercise has increased. It is this that causes Mr Nwapa to cry woe. Under the Macpherson constitution, the regional houses were electoral colleges for the central house; and the central Council of Ministers consisted, besides officials and lieutenant-governors, of four African ministers drawn from each region and appointed by the Governor after consultation with the regional governments. This meant that, in effect, these "ministers" were envoys of the regions; and when the four from the West resigned, the Governor found it impossible to replace them with

others acceptable to the rest of the team. Thus government broke down. The centre was simply a standing committee with an executive sub-committee of the three regional governments. Though open to criticism, this arrangement was necessary because of regional jealousies. No region was ready to face the possibility of a true cabinet in which the North might well be dominant as the result of its preponderance in the central legislature where there were 68 northerners to 34 from each of the other two regions.

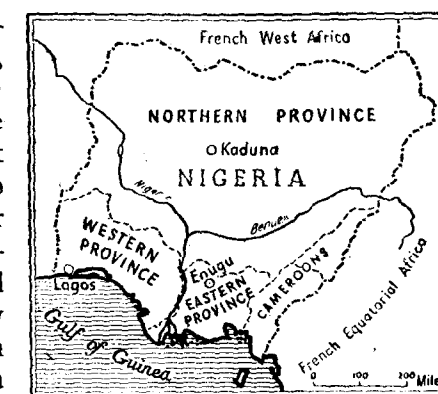
★

Thus, despite all the trappings of federalism, there was little more than a grand allied council. Because the North is still preponderant in population and voting power, it has not been possible to change this situation. One step forward has been taken: the central legislature is henceforth to be elected independently of the regional legislatures, as in the case of Canada and Australia, on the basis of separate single-member federal

constituencies (each with a population of 170,000). This may gradually encourage the growth of a cadre of federal politicians interested in the problems of the centre and not closely tied to regional caucuses; in time it may even make all-Nigerian federal parties possible. At present, however, there is potential trouble over the form the federal franchise should take; the North is holding out for indirect election, while the others are pressing for adult suffrage.

More important, the central Council of Ministers is to consist, besides officials, of three ministers from each region appointed by the Governor on the advice of the regional Prime Minister. Thus central ministers will be more than ever the prisoners of their regional governments. The dropping from the council of the regional lieutenant-governors will worsen matters. The Governor's role as mediator will become more lonely, difficult and thankless than ever. There may be fewer causes for dispute, but petty points can cause serious crises in Africa, where *amour propre* is so tender. This was shown at the conference when the northern leaders refused to have back the western ministers who had resigned, and who had behaved, they said, unforgivably; a stand which immediately caused Mr Awolowo and the Action Group to insist on reinstatement as a matter of high principle. The Action Group only returned to the conference when the northerners had been induced to swallow their pride.

This sort of thing can blow up at any time, and there will be issues enough as time goes on. The key to Nigerian independence as a whole lies in the northern region developing self-government fast; if it does not there will be recrimination in council. It is true that the



federal house might assert its authority over the central council in time; but the only guarantee of harmony in the short run would seem to be some approach to cabinet government that is responsible to the federal house and based on a majority in it. The central council, however, cannot be transmuted into a cabinet—in the way colonial executive councils do take on features of cabinet government—until the other regions lose their fear of being steamrollered by the North, and until the North ceases to fear that universal adult suffrage in federal elections is being forced on it as a means of putting educated southerners, or their northern stooges, into power in order to overthrow the rule of traditional tribal authorities.

The first problem, however, which must be settled before even the franchise question can be raised, is that of Lagos. It produced the dispute between Dr Azikiwe and Mr Awolowo, because, although 70 per cent of its population are Yoruba and it is commercially bound up with the West, it has been a Zikist stronghold. Dr Azikiwe has now resigned his Lagos seat and has transferred to a constituency in the East; but the Yoruba Action Group is determined to hang on to the city and its perquisites and will not have it alienated as federal territory. The Yorubas have a strong case on economic as well as ethnographic

grounds; nor does Washington or Ottawa provide a convincing precedent.

To create a new federal city in Nigeria would be extremely expensive; even to find a neutral site would be hard. But it may have to be done. Such a city would be a true symbol of the federal structure that has now emerged—a somewhat artificial, prefabricated, reach-me-down affair, lacking dignity or permanence (at first) and no doubt detested by the new federal public service and the new federal legislators alike. It would also weaken the already weak federal ties; but the West's threat to secede rather than be "decapitated" may leave no alternative.

Difficult as it was to reach the London agreement, to translate it into a working system of administration may be even harder going. Much of that effort will devolve on the British officials now on the spot and more or less under notice to quit. Perhaps their task in saving the federacy will be eased by the eagerness of the African politicians in the regions to seize upon the new powers now granted them. It must be hoped that these powers will be used with the public good in view, for upon sound administration in the regions Nigeria's credit and prestige in Africa will depend. The unity and progress of Nigeria now rest on three pillars; if any one of them crumbles, the roof will come down on the inmates.

Persians and Foreigners

MANY dictators have defended their policy with the maxim that "the will of the people is above the law." But few can have used it, as Dr Mossadegh did this month, in answer to protests that he was violating the constitution, only to be chased shortly afterwards by that same will out of house and office. Two useful lessons can be drawn from this sudden change in his fortunes: the first is that no leader, however politically agile, can neglect entirely the support of lesser political figureheads; the second is that no Persian leader can retain office simply by playing upon the nation-wide fear and dislike of foreigners, because no state that wishes to modernise itself can do without them. As Dr Mossadegh was to prove, a rigorously anti-foreign policy can be conducted without economic collapse, but its price is no Cadillacs and a return to the donkey standard; if Persia wants to be a modern state, it must deal with "abroad."

Exactly a month ago an article in *The Economist* commented on the number of enemies he had made for himself on the home front: the army, over the leadership of which he had quarrelled with the Shah; Mullah Kashani, whose personal ambitions he had thwarted; the several political leaders whom he had sought to implicate in the Ashfartoos murder (these included General Zahedi); and the Majlis that he had dissolved by the expedient of withdrawing his yes-men and so depriving it of a quorum. Since then, a further act swelled the ranks of his adversaries. This was the

"plebiscite" in the conduct of which he denied Persians the human right of secret ballot by erecting "yes" and "no" booths into which Teheranis had publicly to walk in order to give him his 99.9 per cent majority. Since Mullah Kashani instructed his followers to boycott this performance, Tudeh party members were unusually prominent among the whippers-in; they outnumbered the remnants of Dr Mossadegh's National Front and his "Pan-Iranian" movement supporters. The hand of the Soviet Union was more in evidence than ever before.

For nearly ten years Dr Mossadegh has been gaining fame and popularity as the apostle of an anti-foreign policy. His first appearance in international news was during the world war, when he introduced the law that forbade fresh oil concessions to foreigners until the war was over. Next, he led the opposition that denied the Russians an oil concession in the north. Then he reached his zenith with his famous success against the Anglo-Iranian Oil Company. All the time that he was living on the capital of his reputation as an enemy of the foreigner, he was ready to stretch a hand abroad for the money he needed to modernise Persia. For nearly two years he traded on his claim—not unfounded—to be a popular figure in the United States, and to have access to American bounty and investment capital. This year, when the claim was exposed first by Mr Dulles's pointed exclusion of Persia from his tour in May, and later by General Eisenhower's letter refusing

to be blackmailed for money, he was obliged to turn elsewhere for foreign support; his mistake was that he opened official talks with the new Soviet ambassador in Teheran on August 13th.

It was this combination of undemocratic procedures at home and of obvious and dangerous dependence on the Tudeh party that at last drove the Shah to act. He dismissed Dr Mossadegh and, after failing to oust him, himself decided to leave. Next day the Tudeh party rushed into print with its manifesto calling for abolition of the monarchy and the proclamation of a republic. (Moscow, pardonably a few hours behind the times, was still broadcasting this in Persian until quite late on August 19th, after the tables had been turned in Teheran.) As happened in Azerbaijan in 1946, the Soviet assumption that the Persian people would rally to support such a declaration was wrong. Public opinion was against, not for, this foreign-inspired lead; the army, when it struck its blow for the Shah and against Tudeh, carried with it a majority not only of Teheran's educated class but of its "broad masses." Behind this widespread support for the revolt were, without doubt, first the strong sense of dynastic tradition that permeates a people that is always conscious of its great past and, secondly, fear and dislike of the nearest and most menacing of all the hated foreigners. Not only the Shah but also the officer corps that touched off the explosion of public feeling in support of the dynasty acted mainly out of fear of the Soviet Union: not for nothing did General Zahedi's supporters announce when they first reached a microphone that they were in control of all the towns in the frontier province of Azerbaijan.

Seen from across the Soviet frontier, these events must be a disappointment and a puzzle. They are being explained as an "imperialist manoeuvre to regain the oil" and an "American gamble"; but Moscow must clearly be as surprised as are some other onlookers at the magnitude of Tudeh's failure. For nearly six years after the Azerbaijan fiasco a skilful and endlessly patient Soviet ambassador, Mr Sadchikov, has preached and practised a policy based on the Persians' antipathy to foreigners whom they can see. He was content to watch them slide toward social and economic chaos by ousting the British oil company and refusing American substitutes and to wait, like an animal under a fruit tree, for rotting fruit to fall. But this passive policy became less appropriate when, during the relaxation of tension that followed Stalin's death, President Eisenhower categorically declared that the American taxpayer was no longer to be moved by Dr Mossadegh's pleas that Persia would go Communist unless helped with dollars. Malenkov, in his great speech of August 7th, saw a chance to capture some ground. In a passage particularly friendly to Persia he said that he was ready for talks not only on a long-standing frontier dispute, but on "financial questions." This, to the all but

ruined Dr Mossadegh, spelt release of the 11 tons of gold and the \$800 million that Persia claims in respect of services rendered by it to the Russians during the war. He was therefore all agog to start talks with Mr Lavrentiev, who is Mr Sadchikov's successor. If the new ambassador knew, as seems likely, of the Communist manifesto, he was departing for the first time since 1946 from the tried policy of watching other foreigners take the brunt of Persian dislike.

★

The financial chaos bequeathed by Dr Mossadegh leaves the Shah and General Zahedi a limited range of policy decisions. Their obvious first purpose must be to succeed where he failed—that is, by their deeds to disarm adversaries within the country, and not to be dependent on any one foreign government. They also had to secure funds for development and welfare and to get Persian oil moving once again in quantity. Their first steps have been to state that, while negotiations with the Soviet Union will proceed, they must turn to the world for financial help. The decision to talk with the Russians will not be unpopular, since it spells a

The American Genius

On May 14th we referred to the improvements in navigation, suggested by Lieutenant Maury, of the United States. . . . We might be led into curious speculations were we deeply to inquire into the cause why the suggestion of such a useful scheme should have been reserved for an American. Something like it indeed—an instinctive clubbing of knowledge from all quarters—a free communication of scientific observations—has long been going on; but to suggest and adopt the plan to promote correct knowledge and general improvement, by inducing all ship-masters to record their observations in one certain form, and communicate them to some man or board of science to methodise and draw deductions from them, was reserved for Lieutenant Maury and the American Government. The Americans, however, seem to be an eminently practical race. Their numerous inventions all tend to the common and general advantage, to bring about equally beneficial results for all by less labour. Their intellect is exerted for the benefit of all. It is not warped to consult the gratification of a few. They open their eyes and their senses to present wants, and set all their faculties to work to gratify them. They look Nature in the face, attend to her minutest signs, learn to read quickly her directions, and they are inventive, skilful, and prosperous. Only they, we believe, could have constructed a village to move on rails, because only they have the opportunity of driving railways through a country into which they must carry as they go nearly all that they require. . . . Not being an old people, their senses are not perverted, nor their faculties benumbed, by a reverence for ancient prejudices. . . . They unite that perfection of the senses which is proper to the savage with the knowledge and appliances of civilised men. More than any existing people . . . they are free to use all their faculties to promote their worldly success, and they are eminently successful.

The Economist

August 27, 1853

readiness to tackle three topics on which all Persians feel strongly: the holding of the gold in Moscow, the dispute over sections of the northern frontier, and the Soviet-Persian treaty of 1921 with its outmoded clause giving Moscow the right to move troops into Persia if the country were to become a "base for aggression." Whether the Russians will be eager to talk with the new Persian regime remains to be seen.

As for the oil problem, Dr Mossadegh's decree offering supplies at half price to pedlars is to be rescinded; the funds immediately needed are to be sought by other means. Yet to imagine that General Zahedi will at once seek the services of a British company is to miss the point that he would thereby repeat Dr Mossadegh's error: he would be resisted by groups who would be as numerous as Mossadegh's adversaries. In sizing up the immediate future of the oil industry it must be remembered that the Persian dislike of foreigners is rooted in two ineradicable emotions: fear of being ground between the upper and nether millstones of Russia and Britain, and mortification that a nation once so great should lag so far behind the West in winning

wealth and power by scientific and technological achievement.

There is, therefore, no question of revoking the nationalisation of the industry or of restoring British management. If there is to be a compromise between the Persians and interested parties in the West it will have to start from these assumptions; but compromise there will have to be if oil is to be marketed and the revenues of the state restored. All this will take time, for crude oil is today a drug on the market and the reappearance of Persian supplies would mean checking production that is bringing income to other rulers. The Shah's plight, however, is too urgent and the political opening created by his *coup* is too important for the solution to be left to time. Somehow or other perhaps through the mechanism of international institutions, something should be done quickly and tactfully to help. Happily first indications are that this point is grasped not only in Washington but in London. The fact to keep in mind is not that the victor of Abadan is now in prison but that his failure is proof that the Russians can expect no walk-over in Moslem Asia.

Variety in Bread

NEXT Monday white bread will be on sale in Britain for the first time for twelve years. The millers will no longer be tied to a minimum extraction rate of 82 per cent of the wheat grain. Instead, they will be allowed to mill at the white flour rate of about 70 per cent, or indeed at any rate they like. But all will continue to make some of the prescribed national flour, whether off-white or brown, for bakers must still have the national loaf on sale at the controlled prices.

This freedom is unlikely now to produce a rush to buy white bread. Before the war, it is true, white bread, which once had a certain social prestige, had become the staple food of the poor, and nine-tenths of all the bread sold was white; it was only in the wealthier households that any other kind of bread found its way on to the table. But the expectation is that in the coming months the bakers will not sell more than one white loaf for every seven or eight made of national flour.

The reason is not that the public is convinced of the nutritional value of a higher extraction rate. It is merely that the off-white national loaf is white enough and palatable enough to suit most tastes. It is a very different loaf from the one that was sold during the war, when the extraction rate was 85 or even 90 per cent, and at one time contained barley and rye. The millers have learned how best to mill national flour and the bakers how to make a better loaf with it. Even so, most people would no doubt prefer white bread if it were the same price as the national loaf. But it will cost more, for the national loaf will still benefit by a

subsidy amounting to about 2½d. for a 1¼ lb. loaf. The big bakeries have decided to charge 5½d. or 6d. for a white loaf of 14 ounces, compared with 4½d. for a national loaf of the same size. Not many people are likely to think the extra worth paying.

If little white flour is needed to make bread, there will on the other hand be a general change to white flour for making cakes and biscuits. Flour itself has not been subsidised since last April, when the subsidy was transferred to the loaf. It will therefore cost the baker no more to buy white flour, which should produce better cakes—or will, if more fats also become available. And better cakes at no higher prices are what is needed to revive the flagging trade in confectionery. The return of unrationed sweets, together with the rise in prices of more essential foods, have combined to deflate an indiscriminating demand for cake of the synthetic slab or whited sepulchre varieties. With white flour, too, the public can be offered a wide selection of special bread, of richer mixtures or special shapes.

All this may give the small baker an opportunity to regain a little of the ground that he has been losing to his large competitors. The last ten years are strewn with the wreckage of small bakeries. In 1942 there were nearly 21,000 bakeries; in 1945, 18,000; in 1952, 14,000. The large firms have been spreading their tentacles everywhere, and even the country baker is no longer safe from the competition of the mass-produced loaves that are distributed mainly by grocers. The grocer has proved a formidable competitor because it

is convenient for the housewife to buy all her stores, including bread, at the same shop. Even the local bakery's ability to give fragrant loaves hot from the oven is to some extent offset by the good keeping qualities of the mass-produced loaf, especially if it is wrapped in waxed paper. And the small man cannot meet the growing demand for the sliced loaf, which, in spite of the extra penny charged for the wrapping, is often found—thanks to the unsteady hand of most housewives—to be more economical than the unsliced loaf. Many small bakers have taken to distributing the loaves of their large competitors, and many have met the grocer's challenge by going into the grocery business and stocking their shelves with canned food. Apart from such shifts, the best hope for the small man is to produce something that the plant bakery does not produce—something other than the tin-baked loaf that is its standard product. It is here that white flour may help him.

★

The methods of the plant bakery are so widely different from those of the small baker that it is unrealistic to treat the whole bakery trade as if it were homogeneous, as the Ministry of Food has had to do during the period of subsidy and control. The controlled price and the subsidy have been and are calculated to give the baker an average profit of 5s. on the bread made from 280 lb of flour. The small man often makes only about half that. It seemed likely that with decontrol he would be in an even worse position, for the big bakeries will get a discount from the millers on large orders. The Ministry, however, has come to his rescue with an additional subsidy of 4s. a sack on the first 25 sacks used each week, and if he uses so much this gives him an extra £5 a week. But for many bakers it must be feared that the reprieve is only temporary.

It is temporary not only because this is an interim arrangement, but also because the bread subsidy will presumably sooner or later go the way of the other subsidies and food controls. The pressure to retain it will, it is true, be stronger than for any other food. Before the war bread and flour provided about one-third of the calories in the working-class diet. Bread consumption has fallen steadily as the standard of life has risen, but even now the proportion is somewhere between 25 and 30 per cent. The other argument for retaining the subsidy is that it encourages people to eat the more nourishing national loaf. At the extraction rate of 80 per cent national flour contains, besides the endosperm or white kernel that is used to make white flour, some of the bran and enough of the germ to give an adequate supply of the important vitamin B₁ and nicotinic acid as well as of iron. (It also loses another valuable vitamin, riboflavin, but this is supplied by other foods in a normal diet.) The substances that are lost in milling white flour are now to be added

artificially, as is done, sometimes by voluntary action of the bakers, in the United States, Canada and various European countries. But replacement may not give as high a food value as if the substances had never been extracted. Some of the experts at the conference on the postwar loaf that the Ministry of Food held in 1945 were in favour of prohibiting the artificial addition of nutrients. As an alternative there is something to be said for encouraging people to eat national flour by means of a lower price.

To many people, however, it may seem rather absurd to go to such lengths to preserve the nutrients of British bread so long as it contains a substance that is widely feared to be harmful. Agene, or nitrogen trichloride, has been used as an "improver" in flour for the last thirty years. Its effect is to strengthen a weak flour so that it will produce a larger, lighter loaf. But in 1946, research showed that when given in large quantities to dogs it produced canine hysteria. There is no evidence, other than a single case—that might well be one of individual allergy—to suggest that it is harmful to human beings. But it would be very difficult to carry out experiments to settle the question beyond doubt, and the hysterical dogs were sufficiently disturbing to cause several governments to prohibit the use of agene, and the British Government to appoint a committee to look into the matter. In 1950 this committee recommended that agene should no longer be used. At first it was thought that chlorine dioxide, which is used in the United States, could take its place, but doubts have developed about this too. A harmless alternative might be aeration by means of a high-speed mix; but that might be a final nail in the coffin of the small baker, who has not the necessary equipment. Meanwhile, research continues under the auspices both of the Government and of the trade, and in most flours agene is used as before.

It is clearly right that Government money should be spent in an attempt to clarify the nutritional facts about bread. It is harder to justify, on the ground of public health, a bread subsidy which cost £41 million in the last financial year and which will cost rather more this year even if 10 per cent, say, of the demand is switched to unsubsidised bread. If it were right to subsidise bread then it would be logical to go on subsidising all the foods that are important in a properly balanced diet, including some, such as fruit and vegetables, that have not hitherto been subsidised. A better alternative is surely to try, by education and propaganda, to make people choose the food that is good for them. If a price differential in favour of national bread is important for reasons of nutrition, a tax on white flour would be just as effective as a subsidy on national flour. Apart from the general aim of reducing government expenditure and introducing realism into prices, it is always unsatisfactory to subsidise food that is not rationed, especially a food so freely wasted as bread. It must be hoped, therefore, that the limited freedom that millers and bakers will enjoy next week is the step before complete freedom.

Notes of the Week

Advice on Convertibility

MR LEWIS DOUGLAS'S report to President Eisenhower, made public this week, sets out with a rare clarity the essentials of the problem of convertibility for sterling. It explains British policy and concludes that "more remains to be done if sterling is to acquire sufficient strength and resilience to stand the rigorous test of convertibility." But with this Mr Douglas does not pass the ball back to the British Government. He goes on to insist to Americans that "it is for us as soon as possible to commence to remove from our own policies the impediments to freer trade and currencies." These impediments are clearly defined; they include

the persistent and stubborn maintenance by us of the policy of protecting the American market and subsidising American services which foreign enterprise can more effectively and cheaply render.

The report is thus a forceful and important expression of the liberal view on economic policy. It also emphasises that the interests of the United States are vitally concerned in the convertibility of sterling; and it recognises the dangers for Britain of too much haste. To have these points repeated so authoritatively, in a report made at the President's request, is of first importance in American politics. By putting them in a framework of brief analysis, rather than of detailed prescription, Mr Douglas has enabled President Eisenhower to give them at least a cautious half-blessing; he passes the report to the new commission on foreign economic policy as "an important document" for its consideration.

This technique has disadvantages that are easy to point out from this side of the Atlantic. Mr Douglas's report (which is discussed in more detail in the Business Notes of this issue) ignores, no doubt studiously, the main questions of strategy involved in any move to convertibility. Is convertibility of sterling possible, in any foreseeable conditions, without transitional support from some kind of dollar fund? If that is essential, how big would the American contribution have to be, what are the chances of Congressional agreement, and what form of American support would combine the maximum of economic effect with the minimum of political opposition? These are the direct issues in the United States. But American reactions will also be powerfully influenced by the way in which this country relates convertibility, as a technical currency operation, to the greater freedom in commercial policy—and especially the lessening of barriers against dollar imports—that is the gain Americans are looking for. With such matters of strategy so firmly set aside, Mr Douglas's report is deliberately little more than a powerful plea for good intentions in American policy. But it is not afraid to probe

into some of the implications of such intentions, not only for commercial policy but also for the buying of raw materials and for American investment overseas. All in all, it is the biggest dose of liberal realism that could wisely be administered, at this stage in the making of American policy, within one document.

The Korean Apple-Cart

GEORGE BERNARD SHAW himself could scarcely have drafted a more paradoxical script for the latest United Nations debate than the one that has actually been performed. Mr Vyshinsky, distantly echoed by Chou En-lai, has denounced the idea that the Korean conference should be an "across the table" affair of two parties only—an idea which the Communists at Panmunjom themselves insisted on introducing. The South Korean Foreign Minister, Dr Pyun, has reviled India as a "betrayer and appeaser," whose presence at the conference would be both dangerous and shameful; yet, almost in the same breath, he offered to agree to India's participation—provided it "openly stood at the Communist side." Some of those who in the past have accused the United States of using its largesse to tempt small nations into line are now wryly wishing that their accusations should be justified. In the present topsy-turvy situation, it might almost be thought that Dr Rhee held the money bags and was threatening to withhold a billion dollars of aid from a devastated America. It is certainly hard to realise that most of the nations, great and small, that have openly clashed with the United States in such an embarrassing way have for years accepted its bounty.

Let it be conceded that, in the argument over Indian participation at the Korean conference, both sides could make out a good case. The Americans could point out the foolishness of needlessly provoking the Indophobes of Seoul to further intransigence, and could ask in vain for a logical reason why India should be invited and its neighbours excluded. Logic had no answer, but—as was shown in these columns last week—common sense had. Unhappily, the damage is now done; whichever way the affair is settled, it will have left its ugly mark on the relationship between America, Europe and Asia, and on the proud record of the Korean campaign. It has enabled Mr Vyshinsky to sow a little more discord, and encouraged the Arab group to make an early start with the bargaining over Morocco. It is now high time for the upset apple-cart to be righted again, and set in motion without too many recriminations. This will not be easy; neither the Americans, nor the British and those who share their view, can abandon their position without losing face and

countering new difficulties. But, in view of the graver issues involved, it is surely imperative that all parties—and that includes the Russians—should now accept the collective verdict of the Assembly, to which all have appealed, and move on to the urgent business that still lies before them.

M. Laniel Reprieved

AFTER three weeks of strikes the conflict between the French government and the workers seems to have ended in a stalemate. By making a strict interpretation of the letter of the law a recall of the Assembly has been avoided for the moment. Non-Communist unions have agreed to call off the strike in return for the government's promise to raise the pay of the lowest-paid public employees, to convene the Collective Agreements Commission for the purpose of reviewing minimum wages, and to consult the unions concerned about the application of the decree on retirement and pensions which started all the trouble. Communist railwaymen and postmen have followed suit, under protest, and other strikes are now expected to die down. M. Laniel has won a reprieve and can now set about his original task of restoring French finances.

That has been made more difficult by the strikes. It is estimated in Paris that the post office and public railways alone have suffered a direct loss of over Frs. 20,000 million. Yet the total loss cannot be measured. Economic life has been paralysed for three weeks, tourist dollars have been lost, export orders missed. Confidence has been shaken and the government's borrowing ability has not been improved. The first batch of decrees having proved so costly, the government is now preparing a second series which aim apparently among other things at lowering the cost of living. A project of fiscal reform is also being drafted to be laid before the Assembly. M. Laniel may have learnt by bitter experience that, in a country where ostentatious luxury is a permanent irritant for poorly paid workers, any broader programme must begin by an attempt to lower prices or to attack fiscal privileges and fraud.

Otherwise the Communists will emerge as the victors from this struggle. They are already implying that more could have been won from the government but for the "stab in the back" by the leaders of the non-Communist unions. The mood of the rank and file is well illustrated by the fact that, while Catholic deputies helped to keep M. Laniel in office, Catholic unions are clamouring for a radical change in the government's social policy. Nothing has been achieved, nothing forgotten. The storm has been postponed, but for how long? M. Laniel cannot afford any more false steps in the few weeks he has left to try again.

Will Mau Mau Surrender?

IN Kenya the outlook for Mau Mau is beginning to seem rather bleak to many of the leaders of the insurrection, who have been inquiring about the terms that might be granted if their gangs laid down their arms. The spreading

of rumours that aid was coming from India and Egypt also suggests that morale is in a poor way, since the subsequent disillusion is likely to have a boomerang effect. The Kenya authorities have wisely seized upon the chance to embark on a new round of psychological warfare. By every means of communication, from radio to leaflets dropped by air, they are telling the Mau Mau rank and file what the situation is, and offering reasonable terms for surrender. If the operation is efficiently conducted, it may well have a most important effect and shorten the duration of the shooting war in Kenya.

It is, essentially, an attempt to separate the murderers from the less deeply implicated insurgents. No amnesty, or remission from due process of the law, is offered to those who have killed or who have committed "other atrocities." Such a course might seem a way to shorten the fighting, but it would be manifestly very difficult and probably impossible to take. It would mean making distinctions between those already apprehended and those who are just as guilty but cleverer at holding out; it would make nonsense of justice, and of the sacrifices of loyalist Kikuyu. The question is what proportion of the terrorists fall into the former category, and how many can expect to prove their innocence of anything more than aiding and abetting. Those with blood on their hands have the alternative of facing the judge or of shooting it out to the last. Inevitably many will choose the latter course, and seek to keep with them, and to inculcate, those who might otherwise get off lightly.

It would therefore be unwise to assume that the end of the emergency is yet in sight. The long struggle with banditry is likely to continue. Until waverers come over in considerable numbers, and find that life "outside"—even under rehabilitation—is far preferable to the forests, there may not be much obvious change. But this week's developments in Kenya are the most hopeful for a long time.

New Technique for Strikes

THE Electrical Trades Union has won at least the first round in its struggle against the employers in the electrical contracting industry. After the Ministry of Labour's conciliation officers had intervened, the employers agreed to reopen discussions on the claim for a substantial wage increase which they rejected last March. A meeting of the industry's Joint Industrial Council will be held on Monday; by then the electricians who are on strike will have returned to work, and the plan to call out more workers has been dropped.

As the employers have agreed so readily to reopen discussions it is difficult to see why they did not do so before the strike was allowed to take place. When they rejected the claim they did offer to discuss their reasons with the union. The union, however, not unnaturally interpreted this to mean that they would merely explain the rejection and considered this a waste of time. After meetings up and down the country had shown that the majority of its members supported a strike an ultimatum was sent to the employers on July 23rd, announcing that unless an offer was received by August 24th strike action would be taken. On August 25th the strike began; not a mass strike, but a

strike of men working on important projects in various parts of the country—on atomic plants, oil refineries, hangars, steel and tinplate works and, finally, on the radio show which is due to open at Olympia on September 1st. The strike involved only some 1,500 men—a number that the union could afford to support on full pay.

The union could at any time during the past months have asked that the dispute should be referred to arbitration. In the employers' opinion it was for the union to do so, as it was, so to speak, the plaintiff. But it was not difficult to guess that the ETU, being Communist-led, would prefer that feeling should rise high, and that any eventual settlement should be a victory for its own belligerence. What will happen to the substantial wage claim remains to be seen. But it will be unfortunate if the outcome is a further demonstration of the quick results that can be obtained, at little cost to the union, by a small, well-timed, well-planned strike.

The Prisoners' Purgatory

WHAT happened to the United Nations soldiers taken prisoner in Korea was something that had never happened before. Their physical treatment was, at least for the British prisoners, better than that of the Japanese prison camps of 1942-45. On the other hand, the Communists proved worse in several respects than the Nazis; for example, they permitted no Red Cross access or supplies to the camps. But the unique feature of this captivity was the unremitting propagandist pressure. Every method that ingenuity could devise was used to weaken the soldier's loyalty, to make him accept at least part of his enemy's case, and to use him—often unwittingly—as a tool for propaganda purposes. Shrewdly, his captors wasted few words on Marx-Lenin-Stalinism; the themes were "peaceful China," "aggressive imperialist America," and, above all, the idea that only western intrigues and warmongery were preventing the prisoners from going home.

Some of the tactics used were nauseating. One, in which the correspondents of Communist newspapers in the West played their part, was the offer of a chance to broadcast a personal message home, provided that some routine propaganda slogans were included. Such offers, often made to a man who had had no news from home for two years, and whose family had heard nothing since he was posted as missing, were too tempting to be always spurned. Other privileges and perquisites were offered for minor forms of collaboration. The reverse of the coin was that a man was liable to the loss of all privileges and even to solitary confinement if he proved "unco-operative"—if, for example, he failed to attend "voluntary" indoctrination lectures. Such "reactionaries" were segregated as soon as they were detected. This left the field clear for the small minority of true collaborators to assume the leadership in some compounds.

The evidence so far suggests that this minority was small indeed. It includes men against whom fellow prisoners are already levelling charges that, by spying for the enemy, they led their comrades to suffer penalties. But a clear distinction will surely have to be made, both in the War Office and outside, between these few (some of whom turned informer purely for gain) and the larger number

who compromised themselves mildly for what seemed to them at the time adequate reasons. Even those in this second group who have accepted, in a hazy way, some of the falsehoods so intensively pumped into their minds, are likely to shed their delusions quickly once they return to the real life of home. To overlook their occasional lapses would scarcely imply any lack of admiration for the many staunch men who have resisted blandishments and blackmail alike and who have returned with proud records of unyielding loyalty to the cause for which they fought and suffered.

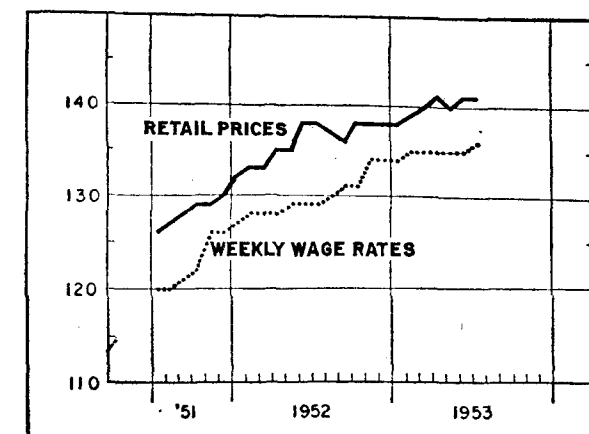
New Sultan and Fresh Reforms

THE struggle to decide whether Morocco is ultimately to be an independent nation on Arab League lines, or a Eur-African state on some new western pattern, moved last week-end in the latter direction. The French Government has bowed to a display of Berber force and removed the nationalist Sultan, Mohammed ben Youssef, from the confused scene by deporting him to Corsica. There followed the enthronement at the hands of his Moroccan adversaries of his uncle Sidi Mohammed ben Moulay Arafa, the elderly and unassuming dignitary whom the Pasha of Marrakech and his resistance movement had declared to be the nation's new *imam*, or commander of the faithful. The French can fairly claim that the installation of the new Sultan was a Moroccan affair; they cannot, however, shed heavy responsibility for the events that led up to such a *dénouement*.

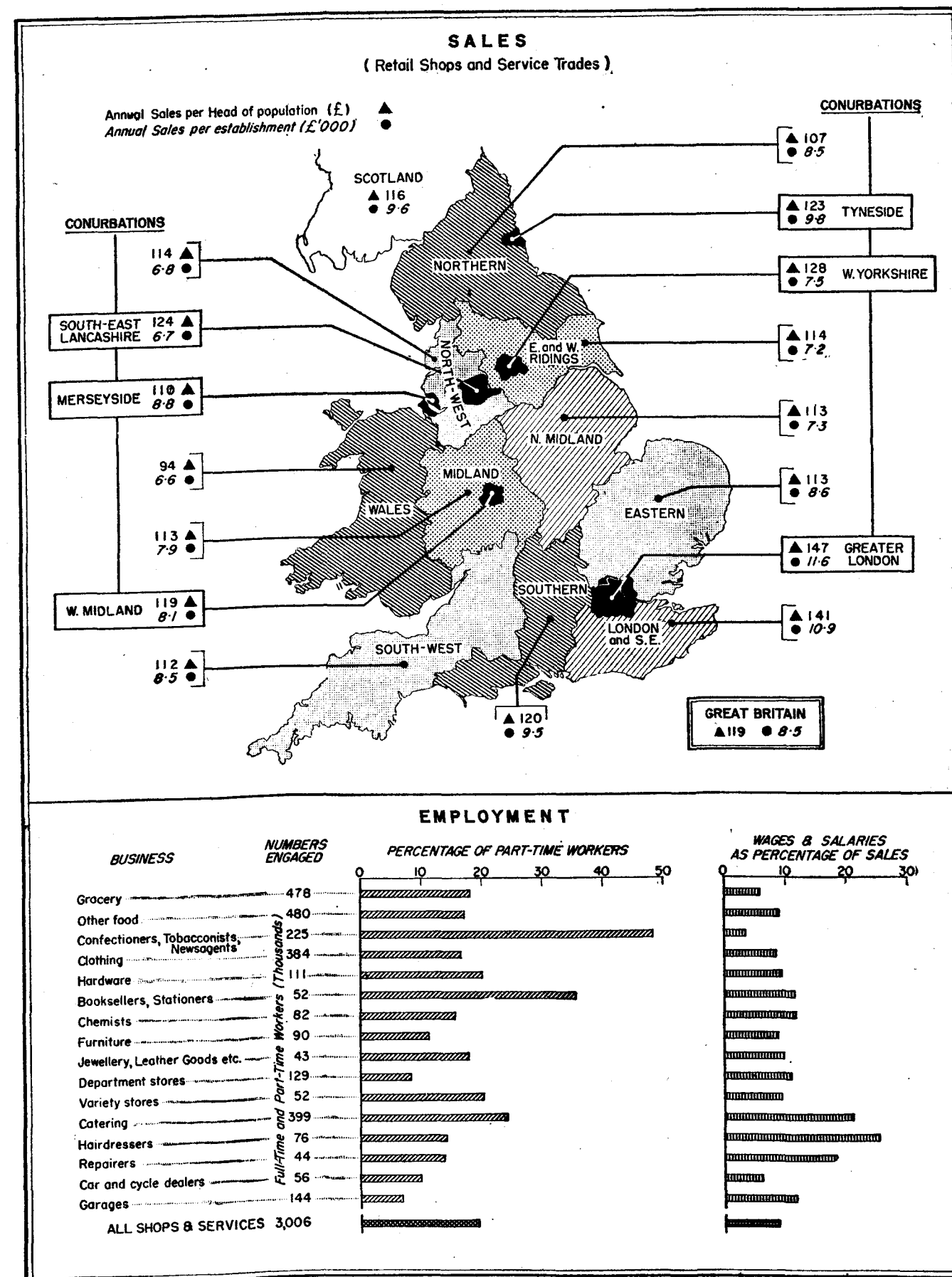
On a short-term view their swift removal of the Sultan has its merits. Morocco was on the eve of a major Moslem festival at which part of its population would have been praying in the name of one *imam* and part in the name of another. There was urgent danger of a clash that would have done incalculable harm not only to France but to the West throughout Islam. But it is impossible to feel confident about the long-term prospects of the policy. M. Laniel's cabinet says that it will "within three weeks" announce supporting proposals for sweeping reforms more liberal than those which the ex-Sultan accepted in the

UK WAGES AND PRICES

INDEX NUMBERS JUNE 1947=100



The Census of Distribution



Source: Census of Distribution and other Services, 1950. Vol. I. [HMSO].

turmoil of last week. These, it says, will be presented to the Moroccan authorities before publication. They are bound to make provision for elected Moroccan institutions, but are also bound to provide that the French settlers are represented on such bodies. This is the issue upon which the ex-Sultan—now in Corsica—and the Arab nationalists—now in prison—were adamant.

Meantime, quiet has been purchased at the price of arrests running into four figures, and disquiet is being vented in Madrid, which controls Spanish Morocco, and in the Security Council. Even France's best friends are among its critics. These can only exclaim, as M. Mauriac—a leader of criticism at home—has this week done in a moving article: "How I hope, for France's sake, that my forecast will turn out to be wrong."

Europe in Africa

THE sixth congress of the Liberal International which has just been held at Mondorf-lès-Bains in Luxemburg gave unusual attention to Africa. At first sight this looks like a good way round the difficulty that Liberals from different countries, when they come together, do not always find a great deal of obvious common ground. Liberalism today means different things in different places; an attitude of mind which at one time stood everywhere in the acknowledged vanguard of political and social progress is now apt to find itself seated on the right wing benches of continental parliaments. But in talking of Africa the Liberals were in fact meeting on ground which has become more common to European thought than is now generally recognised.

Continental interest in Africa—from which the Liberals excluded Arab Africa, partly on account of French susceptibilities—springs from the third force idea that Europe cannot stand alone between Russia and America. The economies of Western Europe and negro Africa are complementary; hence they ought to be combined more positively and broadly than they are. So the argument runs. But whether M. Roger Motz, as president of the Liberal International, was entirely correct or wise in urging greater international co-ordination in the development of Africa as a market for European goods is another matter. There is undoubtedly scope for closer teamwork between those European powers which have a stake in Africa, in trying to resolve the mounting problems of race relations; all European work in Africa, whether good or bad, is increasingly threatened by the challenge created by the reaction of primitive societies to the impact of the West. The idea, however, that Europe's main economic need is for markets is somewhat out of date. European industry needs sources of raw materials before it can look for markets. And while the existence of two complementary economies implies that they must progress in step, from the African point of view there can be no question that development of raw materials comes first. Only in that way can the standard of living be raised. Equally from the European point of view, it is only by first raising the African standard of living that the political clash between the races can eventually be resolved.

This, on the other hand, only serves to emphasise the chief weakness in the otherwise admirable case for

European-African partnership presented by M. Motz and others—that European countries are both short of capital themselves and lack the necessary surplus in this balance of payments to export the capital even if they had it. That was the essential drawback to the so-called Strasbourg Plan last winter.

Building Up Malenkov

SINCE the meeting of the Supreme Soviet, attacks on the "cult of the individual" have been toned down in the Soviet Press and the first breach has been made with the principle of collective leadership of which so much has been heard since Stalin's death. The prestige of Georgii Malenkov is clearly now being boosted. He was given the vital task of presenting to the USSR and to the world Soviet policy both on home and foreign topics. His speech has been reprinted in five million copies. Since then Moscow propaganda has played up the world's reaction to Malenkov, and the words of "the Chairman of the Council of Ministers" are being often quoted to support an argument. At last week's banquet for the East German delegation it was left to Malenkov, not to the Foreign Minister Molotov, to make a declaration of policy.

All this is still far away from the Byzantine cult of Stalin. The impression now being given is that the chairman's seat is properly Malenkov's; but there is a world of difference between the chairman's seat and the pedestal of a deity. Malenkov is still shown as the leader of a team, the efficient manager distributing praise and criticism, mapping the road ahead and promising good dividends for the nation; Stalin was hailed both as the Little Father and as a supernatural leader of genius. It has been argued that Malenkov has not the stature to be raised to a comparable position. Yet, who, in 1924, would have predicted the future rise of the grey, uninspiring general secretary?

Malenkov has considerable assets. To have come to the top by way of the Stalinist Party secretariat he must be an adroit politician. Already in the 'thirties he proved himself an able overseer of industry, and during the war he was the Soviet Lord Beaverbrook—the man who got the aircraft. His most recent pledge to improve the lot of the consumer and to grant concessions to the peasants must have increased his popularity with the nation. Yet he works under handicaps. Propaganda attacks on the cult of the individual may well have reflected something in the mood of the country; Byzantine ways do not fit with the jet and atom age. Moreover, he has come into prominence quickly; there has not been time for the kind of moves that built up Stalin's reputation and eliminated all competitors. It may prove difficult to add anything substantial to Malenkov's stature if his position is not yet secure from challenge by colleagues.

Inequalities at School

THE wheel has turned half circle since the age at which children could take the General Certificate of Education was fixed at a minimum of 16, with the deliberate



Save time on your next Australian trip! Fly from London to Sydney in only 4 days on the direct Kangaroo route. Same ticket, same airliner all the way. Six flights weekly. Fully-pressurized, 4-engined Constellations. Fares (£294 single, £529.4.0 return) include hotel accommodation at scheduled night-stops. All meals and mealtime drinks in flight are free; no tips or extras.



Consult your local B.O.A.C. Appointed Agent or B.O.A.C. Airways Terminal, Victoria, S.W.1 (VICTORIA 2323) or 75 Regent Street, W.1 (MAY 6611) or Qantas, 69 Piccadilly, W.1 (MAY 9200). Also B.O.A.C. offices in Glasgow, Manchester, Birmingham and Liverpool.

FLY BY B.O.A.C. AND QANTAS

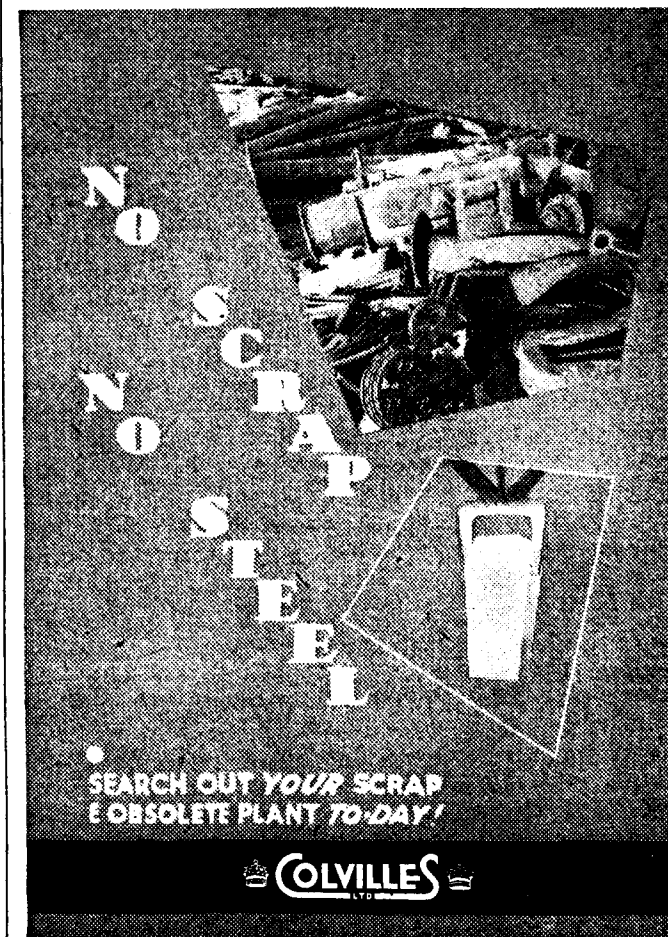
BRITISH OVERSEAS AIRWAYS CORPORATION
WITH QANTAS EMPIRE AIRWAYS LIMITED



The ALMIN GROUP produces —

INGOTS AND BILLETS · SAND AND DIE-CASTINGS
BARS SECTIONS TUBES AND FORGINGS
BUILDINGS AND ENGINEERING STRUCTURES
CONTAINERS AND FOOD EQUIPMENT

Parent Company **ALMIN LIMITED**
FARNHAM ROYAL · BUCKS · Telephone FARNHAM COMMON 595



COLVILLES LTD 195 WEST GEORGE STREET GLASGOW C.2.

State Occasions

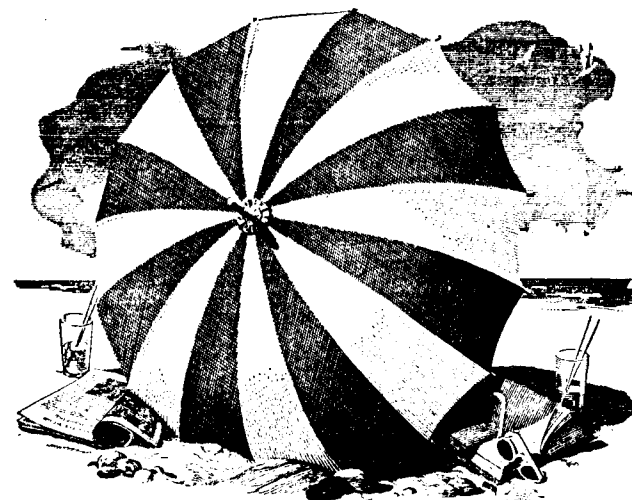
Occasions of State are welcome interludes in the normal routine of everyday life. When the memorable days of pageantry are over there is time for reflection.

Time to be reminded that Hollerith punched card accounting machines help in the work of many Government Departments and play a big part in the twin tasks of assessing the need and assisting towards its satisfaction.

Apply for the current issue of THE TABULATOR and read the story of Hollerith "ON HER MAJESTY'S SERVICE." This 32 page issue describes activities in both familiar and little known Government Departments, where Hollerith machines are used for a variety of different purposes.

THE BRITISH TABULATING MACHINE CO. LTD
Head Office: 17 Park Lane · London, W.1
Offices in principal Cities in Great Britain and Overseas

L/536/139



Two's Company . . .
with PLAYER'S No 3

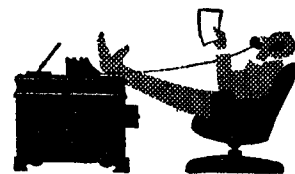
The Quality
Cigarette



[3P117C]

Do be comfortable at work

Some disgruntled genius has
worked out that one spends a third
of one's entire life in the office.
There must be a moral there
somewhere. But until somebody
thinks of something better, let's say it
is a suspiciously good advertisement
for Peter Catesby and his staff.
He'll get them to adapt furniture
to meet your precise needs.
He's your man if you want
to spend a more comfortable
third of your life.



Catesbys
contracts

Office Furniture · Floor Coverings · Curtains · Decorating · Fitting
64-67 TOTTENHAM COURT ROAD, LONDON, W.1. TELEPHONE: MUSEUM 777

intention of preventing the secondary modern schools from being involved in the examination. A memorandum recently prepared by the National Association of Divisional Executives for Education surveys the advanced courses and the examinations taken by pupils in these secondary modern schools. It shows that the General Certificate, in fact, figures quite prominently, although serious doubts are expressed by many authorities about its value in the modern school. The bogey has become a respectable, if not a highly popular, feature of life in the modern schools.

Of necessity, the courses leading to a General Certificate are suitable for only a small minority of modern school pupils; but they are, nevertheless, a serious tax on the resources of these schools, where staffing ratios are less generous than in the grammar schools. The rest of the pupils can suffer considerably in consequence. It is, therefore, not surprising that "advanced" courses, related to local industrial or commercial needs, rather than to the General Certificate, are usually considered to be more suitable for the modern schools. Most of these courses are of two years' duration, for pupils aged 14 to 16. They combine general studies with such subjects as engineering, building, cabinet making, commerce, pre-nursing, typing and horticulture; the specialised part occupies about half the pupil's time.

Nearly all these courses are still experimental, and they are the exception rather than the rule. At present they accentuate the educational inequalities between one area and another. As the memorandum emphasises, it is in those areas where the proportion of grammar school places is already high that the local education authorities have been most active in encouraging special courses in the modern schools; where the number of grammar school places is low, "there is very little evidence of a deliberate attempt to compensate . . . by further provision in secondary modern schools." The sleepy authority still sleeps, and its brighter children are still handicapped.

Parking Penalties

ANOTHER attempt is at last being made to deal with the chaos of London's traffic. The "No waiting" rule is to be extended to 54 more streets in central and outer London, warning notices have been put up (themselves taking up valuable road space) in streets that already have the yellow band, and extra police have been detailed to enforce the regulations.

A determined attack on illicit parking, with inexorable summonses and maximum fines, could certainly do much to reduce congestion, especially in the narrow side streets, where cars parked on both sides of the road reduce the traffic to a single stream that freezes solid several times a day. If parking were harder many motorists who now bring their cars into central London would leave them at home and use public transport. That they should do so becomes more and more necessary because a large proportion of the 250,000 extra vehicles that come on to Britain's roads every year are circulating in the London area.

At the same time, it must be recognised that this is a most unsatisfactory way of curing London's congestion. Heavier fines are unsuitable for minor parking offences, and

strict enforcement of a mass of regulations unduly occupies the police and strains their relations with motorists. It is high time that more attempt was made to fit London to its traffic instead of *vice versa*. There has been no major improvement of the streets in inner London since 1905, nothing has been done to implement the improvements suggested in the 1951 report on traffic congestion; and nothing more has been heard of the proposals, made earlier this year by a special committee on parking problems, that garages should be built under some of London's squares and incorporated in new buildings. Any such schemes would be very costly, even though some of the money could be recouped through garage charges and parking meters. The cost must, however, be set against that of the great waste of petrol and manpower and the wear-and-tear of vehicles that are caused by continuing to do nothing.

Leg-up for East Germany

THE Soviet concessions announced by Malenkov last Sunday to Eastern Germany must not be misunderstood. Their effect, it is true, would be to make the unification of the two Germanies easier if the Great Powers could agree on how unity is to be achieved; but they do not themselves bring unity a day nearer. Since the troubles of last June revealed the sickly state of the Communist regime of Ulbricht and Grotewohl, Soviet policy has been to grant it economic favours but to remain stern and unbending on political matters. Malenkov did not diverge from this line save to promise the pardon of certain German prisoners-of-war. This will be glad news to thousands of German families but will hardly sway the voting in the Federal Republic against Dr Adenauer.

There is no more evidence than there ever was that the Soviet Government seriously intends to give up Eastern Germany. Plants are returned not to their owners but to the Communist government; reparations are to cease and occupation costs to be cut, but only after some \$25,000 million worth of materials, goods and plant have been, according to Social Democrat sources in Germany, removed to the Soviet Union. Food, coal and steel products worth \$150 million are to be pumped in this year, together with short-term credits, doubtless to reduce the present stark discrepancies between the standards of Western and Eastern Germany. These are quite considerable economic concessions which will impress Germans on the Asian side of the Elbe much more than Germans on the European side.

But of political concessions there is no sign. At one time, before Beria's fall, it looked as if the East German government would be diluted with non-Communist politicians who would give it an air of breadth and respectability and facilitate contacts with Bonn. The events of June 17th and after seem to have killed that idea. The frantic dash for Sovietisation seems to have stopped but Eastern Germany with its uranium mines, its valuable bases and communications, and its industrial resources is still being treated as a satellite, even though it is to exchange ambassadors with the Soviet Union. The fact that the vital uranium mines are not being handed over, but are being placed under joint Soviet-East German boards, scarcely indicates that an early Russian departure is being prepared.

Caretakers in Rome

SIGNOR PELLA, the new Christian Democrat prime minister of Italy, has cleared his fences in the Senate and the Chamber with comparative ease. By 315 votes to 215 and 44 abstentions the lower house has now confirmed him in office. It may well be asked how and why, after the previous defeats of Signor De Gasperi and of the first of his former colleagues to succeed him, Signor Piccioni; all three are Christian Democrats and no one has any illusions about this being a one-party government. The answer may best be summarised by saying that this is the nearest possible approach to an Einaudi administration. It is, that is to say, generally recognised as a caretaker cabinet of a "transitory and business" character—as Signor Pella has himself described it—put up by the President in order to get through the summer. Signor Pella has the reputation of being President Einaudi's most faithful economic mouth-piece and his keen disciple. His stewardship has been accepted so that deputies can resume their summer vacations.

The new prime minister has nevertheless shown a welcome mettle. His policy is broadly to carry on the work of the De Gasperi regime and he has already had a sharp passage of arms with the Communists and their allies in parliament. On foreign policy, he has pledged full loyalty to Italy's existing alliances, while at the same time backing Signor De Gasperi's speech on Trieste of July 21st which stressed a determination not to allow these alliances to prevent Italy standing up for what it regards as its rights. Signor Pella has thus shrewdly won at least passive support in many right-wing quarters. And, since he is bitterly opposed by the Left, this is the only way he can retain his place in the Chamber. It will mean, however, that in the eyes of the country this will be regarded as a right-wing government and, however unfairly, a step away from the central position at which Signor De Gasperi aimed for so long.

Around St. Paul's

MR MACMILLAN is to be congratulated on his decision, as the Minister finally responsible, not to veto the building of Bucklersbury House. For some four years now an enterprise (if the word may be allowed to carry some remnants of its former meaning) has been seeking permission for a new office building in the City of London, between St. Paul's and the river. The plans were discussed by the City Corporation and the London County Council, as planning authorities, and by the Royal Fine Arts Commission. As finally modified, they were approved. The question has also been debated in Parliament. But there were still objections, and the Minister was asked to turn the Planning Acts on their head and substitute his individual decision for that of all the bodies set up by Parliament to take the responsibility. He has declined, and on that he should be congratulated.

Whether Bucklersbury House will be an adornment to the City of London is another matter. It conforms to the City plan in lay-out and in the balance between floor space and ground area. It is a matter of opinion whether the

final design that has resulted from these conferences is a satisfactory piece of architecture. The real centre of the controversy is the City of London plan itself, whether it makes the best use of the possibilities inherent in the gentle slope from St. Paul's down to the river. The idealists have to admit that the prewar Post Office building, Faraday House, and the postwar power station at Bankside—both of them Government buildings—are already features in this landscape, and both have a long expectation of life. Will Bucklersbury House make a poor situation worse? Or will it give this London view a variety that is on the whole pleasing? These are difficult questions, and certainly one mistake does not justify another. But almost anything is better than turning the process of development into an interminable committee meeting.

Horseflesh

NOTHING appears to touch off the emotions of the British public so easily as reports of cruelty to animals. Thus blood sports were investigated a year or two ago, after a private member's Bill had unsuccessfully tried to prohibit them; and the report of the committee appointed to inquire into the slaughter of horses was published last week (Cmd 8925).

There is no doubt that the increasing sale of horse meat in recent years has provoked considerable uneasiness about the methods and conditions of slaughter. Last year, over 55,000 horses were killed, compared with over 76,000 in 1948 and about 15,000 in 1938. But more plentiful supplies of butchers' meat will reduce the trade in horseflesh and with it public uneasiness—unless the press as guardian of the public conscience rekindles it. A smaller trade does not, however, mean that the committee's report can be shelved. Even if few horses are slaughtered, they should be slaughtered humanely, and the committee makes some sensible recommendations about the licensing of premises and stricter enforcement of the existing law that ought to be adopted.

As the report points out, the slaughtering of animals is an unpleasant business which few persons, unused to it, could watch with equanimity. The committee's recommendations are designed to spare the horses unnecessary suffering. But when does a horse suffer? The transport of horses was outside the committee's terms of reference, and it was unable therefore to make recommendations to improve the physical conditions in which horses travel—a subject that has aroused much indignation. But even more indignation is caused by the alleged mental suffering of a horse. Does it have a sense of impending death if it sees in the slaughterhouse the carcase and offal of another? An expert on animal behaviour denied it, and the committee is inclined to agree, though recommending that the law forbidding this should be enforced. Are there any logical grounds for trying to prevent "a sense of impending death" in a horse, but allowing a hen to experience it? Because a horse is "the friend of man," does it think and feel like a man? Much of the indignation about the trade in horseflesh rests on the assumption that a horse has human attributes. But if a horse has these, why not a fox—on which many horse lovers are happy to inflict a sense of impending death?

Letters to the Editor

The Boothbyites

SIR—I hesitate to trespass further on your space, but I am completely bewildered by your note on my letter of August 15th. You refer me to a speech in which I am alleged to have expressed the view that the line of approach to peace sketched by the Prime Minister was "spoiled by Lord Salisbury's weak surrender to American views." It does not exist. In my speech in the House of Commons I said that the Washington Conference had done all that could be expected of it; and made no criticism of, or reference to, Lord Salisbury, for the very good reason that he had not then spoken in the House of Lords. In fact I agree with the Prime Minister that, in the circumstances, he achieved the best possible result.

As for the Acheson-Bevin policy towards Germany, how can any policy which of necessity accepts the temporary partition of Germany and Austria be described otherwise than as an improvisation? The present division of Europe is a standing threat to peace.—Yours faithfully,
S. Margherita, Italy ROBERT BOOTHBY

[It is true that Sir Robert Boothby did not refer to Lord Salisbury by name in his contribution to the foreign affairs debate of July 22nd; but he did criticise at some length the statement on Lord Salisbury's mission made by the Chancellor of the Exchequer. Having praised the "new tune" played by the Prime Minister on May 11th he went on to say:

Yesterday all that the Chancellor of the Exchequer could really do was to report to the House that the old tune was still being played. He could do no other; and, indeed, he played it as well as it now can be played. The fact remains that it is out of date and will no longer do.

Sir Robert's statement that he agrees with the view that Lord Salisbury achieved "in the circumstances the best possible results" should clear up the misunderstanding to which our original comment drew attention.—EDITOR.]

The Economy of Development

SIR—In your article of August 22nd you rightly say that there is practically universal agreement that under-developed countries need to be helped along the path of economic progress much faster than in the past. The points you make were emphasised, it would not be too much to say dramatically, at the meeting of the Economic and Social Council in Geneva which has just ended. In a very long agenda, overriding importance

was given to the report of nine experts from various countries who had been invited by the Secretary-General to consider the means by which economic development could be accelerated. They unanimously recommended the establishment of a Special United Nations Fund for Economic Development (SUNFED) to provide both grants and loans at non-commercial rates of interest.

While it is generally agreed by members of ECOSOC that self-help is the basis of economic development, most countries find it impossible to finance certain "non-self-liquidating projects," such as transport, on which all development depends. The present position is practically a deadlock. Domestic savings are, at present, quite insufficient though if development could be started their flow could increase quickly. External private capital can only be attracted to projects which give a quick and specific return. The report of the experts makes a modest and practical set of proposals which have caught the imagination of the under-developed countries. Balance of payments difficulties, and the demands of the domestic economy, cannot indefinitely be used by the British and American governments to shelve their responsibilities; nor can the refusal of the richest potential contributors to place more than negligible sums for economic development under United Nations control be maintained, without further impairing United Nations solidarity.—Yours faithfully,

MARGARET HALL
Somerville College, Oxford

Outpost on the Adriatic

SIR—Mr Andoni's letter referring to your article on July 18th on Albania is quite interesting, but unfortunately partial. This is so in respect to the Greek Government's attitude towards Greece's little red neighbour.

Northern Epirus (or Southern Albania, as your correspondent wants it) is essentially Greek. The population consists of Greeks, and the Greek language is mostly spoken (or at least was spoken, before the red "liberators" started "purging" that part of the country). When the victorious Greek Army entered Albania in 1940, chasing the Italians, the whole population was there to welcome their brothers, confident that at last what they had dreamt and hoped for through the centuries would become true: Union with mother Greece.

One should therefore not expect the Greek Government to abandon an enslaved part of Greece, just in order to

bring Albania into the western fold. Furthermore, it is scarcely likely that any change would be brought about by a declaration such as Mr Andoni wants.

As regards the accusation that Greece has been fostering guerilla warfare across the Albanian frontier, allow me to say that the United Nations Balkans Committee has firmly declared and proved that, on the contrary, it is our neighbours who have constantly been sending their armed bands to burn Greek villages and kill innocent villagers.

And as our Prime Minister, Marshal Papagos, declared, it is and will be every honest and freedom-loving Greek's ambition to see Northern Epirus free and united to Greece. And this will be achieved by peaceful means.—Yours faithfully,

E. KONSTAS
La Tour de Peilz, Switzerland

Kenya's Future

SIR—Your comment of August 8th calls for some reply, since you say that there are few signs that the Government in Kenya have constructive ideas about the inauguration of a new era.

Not only has there been a large scale development plan in Kenya since the end of the last war, but this plan has been both accelerated and expanded from time to time as the resources of the country have permitted. In the Budget for 1953 Mr E. A. Vasey, Member for Finance in the Government of Kenya, showed the following division of expenditure, which totalled £18½ million:

Administrative services, £4½ million; Development of resources, £5½ million; Social services, £4½ million; Other services, £3½ million; Allocation to development and reconstruction balances, £½ million; Surplus, £328,000.

The Development and Reconstruction Authority programme covers every aspect of development including imaginative schemes for the advancement of African farming and social services and the development of all the natural resources of the colony in the manner most likely to bring a productive return which can be shared by all inhabitants. If this sort of programme is not intended to bring about a new era of prosperity and opportunity in Kenya, then I do not know what these words mean. Mr Vasey also drew attention to the fact that in Kenya 25 per cent of the net budget expenditure is on social services, a figure which it would be interesting to compare with similar figures in other colonies with more or less the same income.—Yours faithfully,

GRANVILLE ROBERTS
Kenya Public Relations Office,
London, WC2

Firm Hand in Pakistan

SIR—My attention has been drawn to a comment that appeared in your paper dated July 18th. I am constrained to say that such a piece of writing is a slur

on the fair name of journalism. The most mischievous of all is the allegation that the Jamaat-e-Islami "aided" the Ahrars. This is an absolutely baseless charge. Even the Military Court could not trace any connection of the Jamaat with the Ahrars and the agitation started by them. When no case against Maududi could be made out, Martial Law authorities were relied upon to do the needful.

I am sending you copies of two booklets, "Trial of Maududi" and "The Qadiani Problem." The latter will enlighten you much, provided you are able to go through it with an attitude and spirit that is scientific. An unbiased perusal will reveal that the Qadianis are a dangerous group, who declare the parent nation as infidels, make a parade of their altogether separate entity, and conspire to establish a state within the state. If such a clique is formed in England, will you tolerate it for a single day? I know you will adopt ruthless measures to dig it out of the roots and throw it in the English Channel.

You have also alluded in a very subtle manner that there exists some "dissension" amongst the people "about religious aspects of Pakistan's draft constitution." This is totally a wrong assessment. With the exception of a microscopic minority every Muslim of Pakistan wants an Islamic Constitution. Unfortunately the helm of affairs in Pakistan at present rests in the hands of those who have doubts and misgivings. Anyway, one thing is definite: Islamic order shall be established in Pakistan. No opposition from within the country or from outside can stop the onward march of the people of Pakistan towards their cherished goal.

The Jamaat-e-Islami is the most organised and influential body of Pakistan. Maududi, the chief of Jamaat, is loved and respected as none else in this country. For you, it is a few "extremists" who staged demonstrations to protest against his death sentence. Are you so ill-informed that you regard a mere change in the country's administrative set-up to be a sign of the elimination of Islamic influences from this land? You seem to be advocating the establishment of a sort of dictatorial regime in Pakistan where opposition parties should be crushed by confiscating their properties, etc., and indiscriminate arrests and detentions without trial of its leaders and workers.—Yours faithfully,

M. I. FAZURI

Secretary,

Jamaat-e-Islami (Pakistan)

[Unfortunately for our correspondent's case, his letter and the documents he sends us only confirm the fact that the Jamaat-e-Islami has long agitated against the Ahmadi (or Qadiani) sect, denouncing it in the bitterest terms, and associating itself, in this connection, with the extremist Ahrars. Abul Ala Maududi asserts that, on the eve of the March riots, he ended this association; but he continued to issue statements attacking the government and tending to increase the violence that was already breaking out. This much is clear from the Jamaat's own documents.—EDITOR.]

Books & Publications

Investment and Settlement

HOME AND FOREIGN INVESTMENT, 1870-1913; *Studies in Capital Accumulation*.

By A. K. Cairncross.

Cambridge University Press. 251 pages. 30s.

IN the last decade, economists—Rostow, Phelps Brown, and Brinley Thomas, to name only the most recent—have made notable contributions to knowledge of the British economy in the half-century before 1914. Although economists have rarely been averse from embellishing their works with *obiter dicta* about the past, not since the days of W. J. Ashley and W. R. Scott have they exhibited so expert an interest in history. But whereas Ashley and Scott were diverted to history by an aversion from deductive economics, the modern historian-economists have been directed there by the current preoccupations of theory, and carry their analytical tools with them. This has its disadvantages: the questions suggested by modern theory are not always the most reasonable that can be asked of even so recent a period as the Edwardian age. But, as this book shows, the net advantage is considerable. Perhaps it is as well for our history, no less than for our theory, that English economics in the nineteenth century did not develop along the lines of the German Historical School.

The latest addition to this literature has been a long time in the wings. For several years, no article on this period has been complete without deferential acknowledgment in the footnotes to Professor Cairncross's unpublished thesis, immured since 1935 in the Cambridge University Library. Moved by the sight of his modest estimates, free from the necessarily debatable calculations which produced them, masquerading away from home as fully grown-up facts, Mr Cairncross has been persuaded to publish the full details of his series on home and foreign investment. To these he has added some studies of particular aspects of later nineteenth-century investment taken from his thesis and published on previous occasions. He has made important changes in his calculations, and has rewritten certain of the papers already published elsewhere, but he has not attempted to incorporate in any systematic way the results of later researches. Anyone who has had to work over his own manuscript after a long interval knows how cunningly it struggles against revision, and there are places where it may be suspected that the Mr Cairncross of 1935

has got the better of his successor; the book is not entirely free from the mixture of styles characteristic of transitional periods. Some parts, too—for example, the observations on the terms of trade—might have profited had the author been able to relate his conclusions to those of more recent workers in the field. But there is no doubt that Mr Cairncross has done his subject a much better service in publishing now than if he had left his manuscript longer in the finishing school.

There are two questions one can legitimately ask of a work of this kind. Are these statistics comprehensive and reliable? And are the conclusions consistent not only with the statistics, but with the general picture of the period derived by more old-fashioned but possibly more reliable ways? On the first point, Mr Cairncross writes his own review; as he points out, there are still some untapped sources. But those he has used—and they cover an impressively wide range—he has used with no less discretion than ingenuity. Anyone who pretended as soon as this to pass a definitive judgment on his estimates would be attempting a confidence trick. The estimates deserve, and will in due course no doubt receive, detailed scrutiny. But at least on a first reading they inspire confidence, and this book would be notable if it did no more than provide a reasonable statistical foundation for the study of investment in this period.

What about the conclusions? Despite its wide range of subjects the book has an underlying theme—the alternation of home and foreign investment. In the short run, as is well known, the two generally moved together, but "in the long run, foreign investment was largely at the expense of home investment and vice versa." And this, to put the matter crudely, was primarily because the periods of high foreign lending were also the periods of heavy migration and therefore of low investment in domestic building and public works. This thesis is demonstrated as amply and as convincingly as any generalisation about this period can well be; and it is clear that the built-in shock absorbers whose working Professor Cairncross describes helped very considerably to stabilise the world economy in this period.

Only one general criticism might be made of the book within its own terms of reference. In the picture presented to us, the main sources of instability are on the frontiers of the world; the fluctuations of domestic investment are

THE ECONOMIST, AUGUST 29, 1953

primarily repercussions of the fluctuating pace at which the regions of recent settlement were developed. But what determined the varying pace of this development? In his stimulating introductory essay, Mr Cairncross refers to the opening up of these regions as taking place

like all biological development, in spasms. In the human embryo hair will grow first on one place on the head, then in another. So in the development of the frontier, first one country came into the limelight, then another.

Biological analogies are the most treacherous of all, but the comparison is not unapt or out of place in an introduction. The trouble is that these spasms retain to the end their character of *dei ex machina* of somewhat uncertain origin. The chapter on investment in Canada, 1900-1913, where one might expect an account of the matter, does not help much, for it is primarily concerned with the transfer problem.

This work, then, is an acute and detailed study of the interaction of home and foreign investment rather than a general analysis of the determinants of investment in this period. But such an analysis would be asking rather a lot. We do not yet know, at all points, how the British economy worked before 1914, but we are very much nearer knowing than we were twenty years ago. And to this growth of knowledge, few scholars have contributed more substantially than Professor Cairncross. Few doctoral theses can have borne such good fruit.

Radical Chronicle

ENGLISH RADICALISM, 1886-1914.

By S. Maccoby.

Allen and Unwin. 540 pages. 42s.

THE period covered by this book was of critical importance for the English radical movement. Joseph Chamberlain, its most powerful politician, changed sides in 1886 and split the Birmingham radicals off from the rest; he thereby injected some reluctant care for radical interests into a Conservative party that was becoming increasingly the party of big business, while the importance of big business was growing. The last fifteen years of the century were years of phenomenal imperialist expansion, providing frequent targets for radical criticism, above all in the Boer war. In the aftermath of that war the Liberals came in; won a spectacular electoral victory in 1906; put some long-desired reforms into effect; were frustrated by the House of Lords from enacting more; and abolished the peers' permanent veto. Then the promise of reforms to come was swept away in the catastrophe of Europe. But before 1914 a hidden disease, which the war was to stimulate, had attacked the Liberal cause. Somehow, to change the metaphor, the Liberals missed the bus; and the radical enthusiasts on the left wing of the Liberal party transferred their allegiance to Labour.

It cannot be said that Dr Maccoby has covered this period well in the third of his chronicles of English radicalism. The volume on 1886-1914, even longer than the previous two and costing more than both of them together, devotes twenty-two chapters to the first twenty years, touches on a few problems separately, and sums up the last eight years in a score of pages at the end. He does not discuss at all the importance, or even the size, of the Chamberlain group that succeeded in 1886. His treatment of the following decade is spoiled by lack of reference to the best sources on the Irish complications, and by an apparent belief that Mr Gladstone was a radical—Gladstone, of whom Balfour said truly in 1895 that he "is, and always was, in everything except essentials, a tremendous old Tory."

Dr Maccoby quotes a few pro-Boer speeches, without communicating any of the generosity of feeling that inspired the pro-Boers. He mentions the "Chinese slavery" agitation, it is true—he mentions almost every agitation; but he does not argue whether it was justified or not. He rules the Fabians out of court altogether, and does not tackle the problem of why, and when, and how, English radicals became socialists. In his records of what concerned them, he restricts himself too much to printed sources, often somewhat elementary. The *Illustrated London News*, the "Annual Register," and the *Daily Mail* Year Book account between them for scores of footnotes; and it is odd to be referred, for a trade recession and several diplomatic crises, to "Whitaker's Almanack."

A New Kind of Textbook

A GUIDE TO KEYNES

By Alvin Hansen.

McGraw Hill. 237 pages. 27s.

"IT is the purpose of this volume," says Professor Hansen in his preface, "to serve, so to speak, as a tutorial guide." He might justifiably have laid greater stress on the quality that distinguishes this most valuable book from the numerous "short cuts" to Keynes—themselves often masterly examples of exposition, available to the general public or the neophyte student—and from the critiques of Keynesian thought that have proliferated ever since the publication of the "General Theory."

This "Guide to Keynes" is a serious student's companion; it assumes that the "General Theory" is open at its reader's elbow. It concentrates on crucial and difficult points whether of concept or exposition; supplements Keynes's text with references to past doctrines or subsequent debates; pauses for illuminating discussions of methodology; and—in a final section—links certain significant passages in the "General Theory" with the famous posthumous article of 1946 and the question of whether Keynes would still be a Keynesian today. It achieves, in fact, an objective rarely, if

ever, conceived in such explicit terms: that of providing the solitary reader with the nearest possible substitute for a flesh-and-blood mentor, an intellectual coach, who will not do his work for him but will show him how to do it. It is hardly too much to say that, in the evolutionary process of teaching by textbook, the "Guide to Keynes" represents a significant and enormously promising mutation.

There is room for some perfecting of the tutorial technique. One is not always clear, even with both books open on the desk, when Professor Hansen is summarising, when rephrasing, when supplementing and when criticising the text of the "General Theory." The signposts are generally there; but they have something in common with those which, on the English road system, madden the long-distance driver by concentrating on local directions, and the pilgrim to Little-Muddelcombe-on-the-Wold by reassurances that he is right for London. Occasionally, too—the handling of the symbols introduced by Keynes in his fundamental third chapter is a case in point—a crucial ambiguity is pointed out without being entirely resolved. It is no doubt an excellent thing that the student should puzzle out the resolution for himself if he can; but the ability to do so presupposes a more practised acrobatic skill than the book in general appears to assume.

These are, however, perfectionist criticisms—and may reflect as much on the reviewer's abilities as on Professor

Generals in Grey Suits

The Directors of the "I. G. FARBEN" Cartel - their conspiracy and trial at Nuremberg

JOSIAH E. DUBOIS

The full story of a great conspiracy for world control of industry and war-potential by the Directors of the internationally famous "I.G. FARBEN" Cartel. They were tried and convicted at Nuremberg. The facts are related by the Chief Prosecutor in this amazing case. 16s. net.

The Return of Germany

NORBERT MUHLEN

"A clear, intelligent account of what has happened, what is happening, and what may happen. . . . There is much in the book that Britons should know."—DAILY TELEGRAPH. 18s.

—THE BODLEY HEAD—

Hansen's exposition. "A Guide to Keynes" is unequivocally recommended to honours students of economics, to their teachers, to those general readers who, having learned their economics in the pre-Keynesian era, have never quite got round to grappling with the "General Theory" at first hand, and to writers of textbooks—not only on economics.

European Union

L'INTEGRATION ECONOMIQUE DE L'EUROPE.

By an International Study Group under the direction of Lucien de Sainte-Lorette. Presses Universitaires de France, Paris. 332 pages. 860 francs.

UNDER the guidance of Monsieur Lucien de Sainte-Lorette, Director of the *Collège Libre des Sciences Sociales et Economiques de Paris*, a number of international experts have collaborated in this study, which has been sponsored by the Carnegie Endowment. Their names are not affixed to the essays they have written, but merely enumerated in the introduction; this makes it hard to find out for which section an author is responsible. The nine chapters of the book—here again one has to do one's own counting—deal with the dependence of Europe on European and non-European sources of supply and markets. They discuss the varied, sometimes overlapping, attempts at integrating Western Europe, and probe deeply into the viability of the Europe comprised in the Schuman pact countries and of the Europe embraced by OEEC.

The merits of the study—and they are considerable—consist in the sober detailed analysis of the actual facts that greater integration has to take into account. There is very little wishful thinking in it. Its most suggestive chapter, for which Professor Triffin of Yale seems to be responsible, discusses European currencies since the war. The author's handling of the growth, the working and the shortcomings of the European Payments Union is very helpful. His suggestion that France, Italy and the Benelux countries should scrap their existing currencies and jointly adopt a new currency—called interfranc—thus renewing under modified conditions the old Latin currency union, is well worth considering. This, the longest chapter of the series, makes it very clear that genuine economic integration cannot be achieved or maintained without a flexible currency interdependence, functioning more or less automatically.

The study does not deal with the integration of Europe as a whole, but only with the rump Europe that lies westward of the Russian zone of Germany. It occasionally mentions its relation to that Eastern Europe which, for brevity's sake, might be called "Colonial Europe." It may be that that Europe is lost for the time being; but westerners should not implicitly ignore its European birthright.

Shorter Notices

AID, TRADE AND THE TARIFF.

By Howard S. Piquet.

Thomas Y. Crowell, New York. 358 pages. \$5.00.

The main purpose of Mr Piquet's book is to examine the probable effects of a complete, though temporary, suspension of all tariffs and quotas in the United States—surely an exciting and apposite project. Yet this study, though valuable to the specialist, is not so rewarding as it should be. The main trouble lies in his restricted method. His assumptions test the reader's credulity, and his analysis is both partial and static. As a result his estimate of the probable increase in American imports—minimum \$1.2 billion, maximum \$2.6 billion—has not the significance which it might otherwise have. This estimate is, incidentally, rather more optimistic than most other similar forecasts.

An interesting feature is his attempt to play down the consequences to American import-competing industry. This conclusion may not be entirely soundly based to judge by the statistical evidence, but it is certainly an interesting view coming from one who has had long association with the United States Tariff Commission. In fact the healthy liberal spirit underlying the whole book is one of the best features of the study.

There are only some seventy-odd pages of text; the rest is a useful reference digest of commodity imports.

THE AMERICAN SYSTEM OF GOVERNMENT.

By John H. Ferguson and Dean E. McHenry.

McGraw Hill. Third Edition. 1,056 pages. 48s.

This edition brings up to date to the beginning of this year a clear and efficient presentation of the structure of American government that was originally published in 1947. Apart from discussion, along conventional lines, of the basic principles of the constitution, excellent background material is provided on such subjects as taxation, law enforcement, fiscal administration, organisation of government departments, the civil service system and the conservation of natural resources. There are separate sections on state and city government. The arrangement of the material by chapter headings, the comparative charts, diagrams and bibliographies are of a uniformly high standard.

THE NANDI OF KENYA.

By G. W. B. Huntingford.

Routledge and Kegan Paul. 169 pages. 18s.

There is a nice antediluvian flavour about this short book. The author lived in East Africa from 1921 to 1940. His book belongs, in style and method, to the ethnological tradition of the first decade of this century when scholars at home still relied on the enterprising district officer and missionary for first-hand information about the native peoples of Africa. All honour is due to these pioneers for having blazed the trail for the professional anthropologist of today; and if their type of work is naive and superficial by modern standards, this is partly due to the demand created by themselves.

Mr Huntingford gives an unpretentious description of the most important social institutions of the Nandi, a well-known tribe of cattle-keeping warriors whose mode

of life is typical of that of many pastoral peoples of East Africa. One of the peculiarities of these peoples is that they have an elaborate stratification of the entire male population by age groups. This is closely related to their organisation for raiding and warfare, for it is only the men in the middle-age grades who form the fighting force. The principle is simple; but the way in which it is worked out in practice is often baffling in the extreme. Mr Huntingford makes excellent use of his knowledge of the Nandi to give a clear account of how their age set system works. He describes, in the same straightforward manner, the local groupings, the councils of elders, the elements of law and the main religious ideas of this tribe. The information given is accurate and well arranged. If Mr Huntingford's book has not the depth or the sophistication of the professional monograph of today, it is at least very readable. It is just the kind of book needed by a busy official who wants to get up the main facts about the social organisation of a tribe in a couple of days with the minimum of intellectual effort.

BUSINESS FINANCE.

By F. W. Paish.

Pitman. 144 pages. 12s. 6d.

Professor Paish's new book, based on a series of lectures, is for students only. In a book of this kind he cannot be expected to say anything new about the shortage of industrial capital in this country. Instead, he has contented himself with a discussion of the nature and risks of finance, of the principle of limited liability, of the ways in which new money can be raised (with separate chapters on alterations in shareholders' rights and on the dissolution of a company) and of the problem of replacing assets at a time of rising or falling prices. If the reader regrets the lack of originality he will welcome the clarity of Professor Paish's exposition and analysis. In fact, "Business Finance" is nothing more than a textbook whose influence will not spread—beyond the confines of a lecture room; within these limits, however, it is excellent, adding another well-forged link between the economist and the businessman.

MACAULAY'S HISTORY OF ENGLAND. 4 Volumes.

J. M. Dent. 2,396 pages. 28s.

That long rows of Macaulay's "History of England" lay emblamed in dust on the shelves of the second-hand booksellers can be blamed almost as much on the physical unattractiveness of these volumes as on the end of the Whig Supremacy in the teaching of history. The first reason for neglect can no longer be advanced, for the history has been reprinted in the new Everyman's Library series at a low price and in a handy form. Mr Douglas Jerrold has contributed a new introduction to this edition; critically he scores a series of inners without once hitting the bull. But any praise or criticism of Macaulay is now as well worn as an early Victorian penny. Perhaps it is not unfair to Macaulay to repeat his own judgment on an earlier historian, Burnet.

A writer, whose voluminous works, in several branches of literature, find numerous readers a hundred and thirty years after his death, may have great faults, but must also have had great merits: and Burnet had great merits, a fertile and vigorous mind, and a style, far indeed removed from faultless purity, but always clear, often lively, and sometimes rising to solemn and fervid eloquence.

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.

Debt Dilemmas

Washington, D.C.

WHILE President Eisenhower's slump, like President Hoover's prosperity, remains "just around the corner," the end of the first session of the Eighty-third Congress has been enlivened by two interesting controversies about monetary policy and debt management. More will surely be heard of both in next year's election campaigns if the slump puts in even a shadow of an appearance. In one, a Democrat, Senator Paul Douglas, the Senate's chief, indeed its only, economist, enlisted the support of Mr Marriner Eccles, who was chairman of the Board of Governors of the Federal Reserve System from the beginning of 1936 until 1948, against the policy of the present Board. In the other, Senator Byrd, also a Democrat and the Senate's chief economist, tackled Mr Humphrey, the Secretary of the Treasury, over the Administration's last-minute, and unsuccessful, request to Congress for permission to increase the limit of the national debt from \$275 billion to \$290 billion, mainly so that there would be enough money to pay for armaments which were ordered in earlier years and are now about to be delivered.

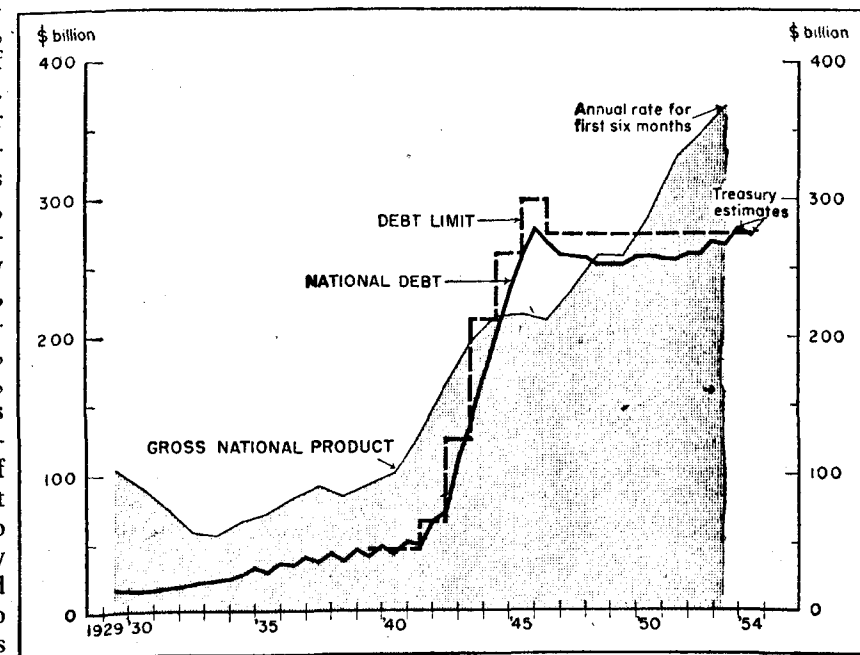
From the moment that Senator Byrd managed to involve Mr Humphrey in an argument about whether it was practicable to allow the government's cash balance to be run down temporarily by some \$2 billion—and got him to admit that reducing it from \$6 billion to \$4 billion or a little less, which has been done before, would get over the immediate problem—Mr Humphrey was beaten. Mr Byrd has gone on to point out that a much smaller balance would be needed if it were kept in only one bank (it is now spread between 12,000), that there are only four months in the next eleven when, even if the cash balance were not

reduced, the limit on the national debt would be exceeded and that, by the end of the fiscal year on June 30th, the debt will be \$273 billion against today's limit of \$275 billion. There are a number of theories as to why the Administration, faced with such a marginal problem, tried to have the limit raised by \$15 billion, \$13 billion more than its own estimate suggested would be necessary in the immediate future. But the explanation was probably fairly simple: Republican officials wanted to emphasise dramatically the spendthrift nature of the previous Democratic regime and, at the same time, to provide an ample margin for a little spending by this one to prime the economic pump, should the need arise, without having to ask for another increase.

Whatever the real reason, Mr Byrd was given a splendid opportunity to make a point of apparent principle. The present level of \$275 billion was, he said, one of the milestones in the preservation of the government's solvency. If the limit were increased to \$290 billion now it would soon be \$300 billion—and then "over the precipice of financial disaster." The Secretary of the

Treasury, who has to try to sell about \$5 billion worth of government securities this autumn, and does not want their legality called into question, thinks, on the other hand, that "a debt limit is a secondary consideration." This it can hardly fail to be in a country in which the separation of powers ensures that the Executive, by and large, decides the level of expenditure and the Legislature, by and large, decides the level of taxation and the two, for strictly political reasons, seldom meet.

This argument had an air of unreality with Mr Byrd preaching the simple faith of the successful businessman, impatient of theory, but Senator Douglas and Mr Eccles



made some rather more sophisticated criticisms of the monetary policy of the new Administration. The Senator was worried because he had found himself quoted by advocates of a completely free money market to justify their decisions; he was inclined, he said, to question the nature, timing and degree of some of these decisions and he therefore asked Mr Eccles for his opinion. During the first phase of the Korean war, Mr Douglas pointed out, "the inflationary policies of the Federal Reserve Board brought on inflationary conditions and a surplus of money and credit supply in terms of available goods." He then strongly advocated measures that would slow down the increase in the money supply. The agreement between the Treasury and the Board in March, 1951, had been successful and until December, 1952,

we had virtually full employment, expanding production and relatively stable general prices. . . . It was demonstrated therefore that these goals are mutually compatible and that it is not necessary to have inflation in order to get full employment.

During this period the Federal Reserve Board, although abandoning the rigid support of government bonds, had nevertheless bought considerable quantities, enough to increase the reserves of the Board's member banks, and thus their ability to make additional commercial loans and add to the supply of money, at approximately the same rate as production was increasing. The restrictive credit policy of the new Administration had, on the other hand, Senator Douglas maintained, reduced the supply of money by 3½ per cent while the index of production was rising by 3 per cent. He said:

They moved too fast and too far. The results have not been happy. The Federal Reserve in late May tried to reverse its policy and that of the Treasury by buying government bonds when they had fallen 11 points below par and also by reducing reserve requirements. . . . But a good deal of the damage had already been done and many of the economic tendencies which were set in motion are irreversible.

★

Mr Marriner Eccles, who is, unlike Senator Douglas, a Republican, and one who tried unsuccessfully to get his party's nomination as Senator from Utah last year, agreed with him. After describing the course of the economy since 1929, Mr Eccles said that the policy of the Federal Reserve Board, between its agreement with the Treasury in 1951 and the beginning of this year, had been "adequate" except for "the excessive and unsound credit expansion development in the consumer and housing credit fields." The cost of living index had fluctuated for two years between 112.4 and 114, the wholesale price index had fallen from 113.5 to 110 between December, 1951, and March, 1953, and the supply of money had been growing slightly less rapidly than national production. Therefore, when the new Administration came to power last January, the economic danger was no longer that the dollar would be cheapened but that there would be some deflation. Shortages had largely disappeared and surpluses were taking their place, the peak of home building had passed and government expenditures were due to decline.

The monetary and credit policies pursued by Federal Reserve and Treasury officials during the first five months of 1953 had created for them, Mr Eccles said, a real dilemma. They were trying to curb inflationary develop-

ments, of which there was no real evidence, and they had to raise about \$12 or \$13 billion in new money as well as to refund about \$13 billion of maturing securities. The attempt to do this in a free, unsupported market showed that it was impossible, even with the favourable terms which were offered, to refund any of the short-term indebtedness into long-term securities, as had been planned, or to raise new money as long as a hard and tight credit policy was pursued. The public debt was too large and its influence on the supply of money and the stability of the economy too dominant for the Federal Reserve Board to be able to abandon its responsibility of managing the government security market.

The Administration should, Mr Eccles concluded, think twice before basing its policy on the assumption that inflation would continue and should learn from recent experience that it is unrealistic to create a tight money market and at the same time undertake to raise new money in a free market. No answer came from the government and there was no possible answer, because, by reversing its policies, it had already admitted the need for a change. But it may well be that Senator Douglas was going too far in saying that many of the deflationary economic tendencies set in motion in the early part of the year were irreversible. With the astonishing resilience of the American economy many of them seem already to have been satisfactorily reversed.

Uncertain Civil Servants

Washington, D.C.

ALTHOUGH the civil service system as a way of staffing the federal government is fifty years old this year, it is only in the last two decades that it has ceased to be overshadowed by the spoils system, under which the bulk of government appointments were rewards for political services rendered to the party in power. Since 1932, however, the number employed by the federal government has grown from under 600,000 to over two and a half million, and nine-tenths of these posts are non-political civil service appointments. Now, for the first time since the federal bureaucracy became so big and the principle of non-political appointments so well established, there has been a change of Administration in Washington. This has raised questions concerning the civil service that were almost forgotten during the long period of the Democrats' supremacy.

Any new Administration would have faced the problem of how to be sure that the people in the executive branch of the government who have policy-making responsibilities are wholehearted supporters of its programme. As early as February, it was being reported in the *New York Times* that

the new Republican heads of agencies regard the problem [of getting their men into policy-making jobs] as the most serious single one confronting the Administration except that of settling the Korean War.

In the effort to solve this problem, President Eisenhower has taken two general steps, reclassifying the group of federal employees, numbering perhaps 12,500, who have policy-making or confidential jobs but now no longer enjoy guaranteed tenure, and removing civil service protection from another heterogeneous group. There were 134,000 affected here but some, it is thought, will be restored to civil service status. In the heated debate over these moves,

Democrats charge that they were designed merely to open up jobs for deserving Republicans, and to score against anyone who had been able to work with the Truman Administration. Republicans reply that Mr Truman tried to make the Democratic influence lasting by giving his appointees a permanent hold on key positions, and that the new Republican team must either undo this or face the prospect of trying to carry out its policies through unsympathetic civil servants.

There is evidence for both points of view. There have been some individual dismissals of officials who were supposedly not subject to political change. There were also complaints from the Republican National Committee that too few jobs were available to the party faithful. This

"Pretty Sure Of Yourself, Aren't You?"



Herblock in the *Washington Post*

has diminished since the chairman of the National Committee was given more direct control of patronage.

On the other hand, there is something to be said for the view of the new chairman of the Civil Service Commission, Mr Philip Young, that men who have had to fight for the policy of one Administration, as under the American system it is frequently necessary to do, before congressional committees and elsewhere, are bound to become partisans of that policy, and therefore unfit to carry on in their jobs when the Administration and the policy undergo a change. Furthermore, there is the intangible but undoubted fact that the kind of people drawn into the higher positions in the federal service during the period of Democratic rule tended more often than not to be sympathetic with the general aims of the Democratic programme.

This is no more than to say that the New Deal attracted New Dealers. Their presence in Washington in large numbers has not made it easier for the Republicans to regain the feel of government after their two decades in the wilderness. Moreover, the Administration has had diffi-

culty in attracting suitable people of its own to the government. Federal salaries are meagre compared with business incomes; there is also relatively little incentive to enter the public service for a businessman whose main idea about the government is that there should be less of it.

Further problems have been created by the reduction in the total size of the government, to which the Republicans are pledged above all else, and which has in any case been made necessary by cuts in appropriations. Already the number of employees has gone down by nearly 100,000 since the Republicans took office, and by next July the figure is expected to reach 180,000. Much of this reduction is being achieved by not filling vacancies as they occur but, where dismissals have been necessary, haste on the part of the Administration has combined with the complexities of civil service regulations to create something close to chaos in many government agencies. When a person with civil service status is "rified" (dismissed as the result of a reduction in force), he may, under civil service rules, take over the job of someone with lower status, doing roughly similar work. This second person may, in his turn, "bump" a third man, if he can find one, and so on. The resultant confusion, compounded at every turn by the extraordinary preference given to all war veterans, can readily be imagined. One estimate is that in the end not more than one quarter of the staff of the Department of State, for instance, will remain at their original jobs. And the turnover in staff at the Department of Commerce is the official explanation of recent delays in the publication of foreign trade statistics.

Here is an actual case, much simplified, from a federal

THE
First SINCE 1784

The United States had only just become a sovereign power when in 1784 the First National Bank of Boston was founded. The bank has grown with the country — indeed helped the country to grow — and maintains important branches in Argentina, Brazil and Cuba as well as a wholly-owned foreign banking affiliate in New York City.



America's oldest chartered bank offers traditionally courteous and comprehensive financial service to bankers and concerns engaged in overseas trade with North and South America.

The
FIRST
NATIONAL BANK of
BOSTON

Head Office: BOSTON MASSACHUSETTS • In New York:
FIRST OF BOSTON INTERNATIONAL CORPORATION, 2 WALL
STREET • Overseas Branches: ARGENTINA • BRAZIL • CUBA
Special Representative in Europe:
146 LEADENHALL STREET • LONDON

INCORPORATED WITH LIMITED LIABILITY IN THE U.S.A.

agency. Mr Brown, a man with 25 years' service, was "ruffed" (his job was eliminated); he "bumped" Mr Smith, who discovered, just as he was about to take Mr Jones's job, that he could, through a technicality, keep his job. Mr Jones, meanwhile, had resigned voluntarily, since he expected to be "bumped" soon if not this time, and he lacked the civil service status to push out anyone else. But now Mr Brown had to find someone else to replace; this was Mr Robinson. Mr Robinson "bumped" Mr Baker, but while appeals were pending, Mr Brown's office found they had to keep him after all, and Mr Robinson was given the job left vacant by Mr Jones. This would seem to have left Mr Baker in his job. But poor Mr Baker, although the immediate threat from Mr Robinson had disappeared, was not reinstated, but was granted a thirty-day extension of his tenure, the reason being that he lacked status and so was bound to be "bumped" sooner or later. This account leaves out details of appeals, delays and deadlines, which gave to the whole ordeal something of the quality of awaiting execution by firing squad. During the weeks and months that this was going on, it is safe to say that the public service was not receiving the undivided attention of these harassed men.

Efforts are being made to remedy this situation. The area in which a person is allowed to "bump" can be restricted, so that a man in one branch of a department may initiate a chain of "bumping" only in that branch; otherwise, he may replace a man only if the latter is without status and therefore unable to force out any third person. But the dilemma remains: every restriction on "bumping" diminishes the job security of civil servants; every attempt to increase job security runs the risk of making the government dangerously inflexible.

When to all this is added the fear engendered by the security programme, with its loyalty reviews, designed to eliminate subversives and other unfit persons from the government, but susceptible, many feel, to dangerous misuse, it is understandable that the morale of employees in many agencies is low indeed. The amount of damage done varies greatly, however; the Bureau of the Budget, small and professional, has managed its changes expertly and with a minimum of damage; the Department of State, the victim of every ill wind that blows, has been all but capsized by this one.

American Notes

Inquiry Into Trade

PRESIDENT EISENHOWER'S belief that agreement on any subject can be reached if those concerned sit down together and study the facts will be strongly tested when the newly appointed commission on foreign economic policy tries to draw up its report. Ever since April the plan to set up the commission, on which the President is represented by seven members and Congress by five from each House, has been the standard way of fobbing off anyone proposing changes in trade policy. But the legislation

establishing the commission was delayed until the end of the congressional session. Only about six months therefore now remain for the "broad-gauge study" out of which basic new proposals are supposed to emerge in time for consideration at next year's session of Congress.

The commission is instructed to examine, among other matters, all factors affecting the balance of payments between the United States and other countries. If it is to meet its deadline on March 6th it will need to take advantage of the material assembled for the various authoritative studies already made of the same subject. A report on the most recent of these inquiries, made by Mr Lewis Douglas, a former American Ambassador in London, into Anglo-American economic relations, has just been passed on by the President to the commission. Although Mr Eisenhower is unlikely to prejudice the larger study by responding to Mr Douglas's urgent plea for action now on some of his recommendations, he has made it clear that he expects the members of the commission to "search diligently for ways to widen and deepen the channels of economic intercourse among the free nations."

This is asking a good deal of some of the members, notably the Republicans appointed by Congress. Nothing short of a miracle would seem needed to produce an agreed policy for reducing trade barriers signed by, for instance, Representative Reed, the chairman of the Ways and Means Committee, and Representative Simpson, the author of this year's protectionist Bill. On the other hand persuasion through study might well work with Senators like Mr Millikin of Colorado and Mr Hickenlooper of Iowa, whose reputations as opponents of lower tariffs were gained before their party had the responsibility of office. The four Democrats are probably in sympathy with the President's call; and Mr Eisenhower's own nominees include a distinguished economist, Professor Williams of Harvard, a trade union leader from the Congress of Industrial Organizations, and several representatives of the big business interests that today are outspoken advocates of increased international trade. If an economic policy is recommended that accords with the position of the United States as the world's greatest creditor nation it will probably be thanks to the chairman, Mr Clarence Randall, who is prominent in the steel industry and has had some international experience on the staff of the Economic Co-operation Administration in Paris. It will be his task to guide these apparently irreconcilable elements gently in the direction of a unanimous and constructive report.

Bomb for the Budget

THE most immediate American reaction to the news that the Soviet Union had set off a thermonuclear explosion was resentment that the first announcement about this potential hydrogen bomb had come from Moscow, instead of from Washington, as it had when the Russian atomic bombs were exploded. Not only did this American caution embarrass a number of journalists who were misled into suggesting that the Soviet claim to the hydrogen bomb was false, but it was also felt, perhaps unjustifiably, that the Russians had been franker than had the American authorities. The allegation that the American people are being

cheated out of a democratic right, "the freedom to know," is one of the arguments being used in a campaign, led by the *Washington Post*, for giving fuller information about atomic developments. This is something which the President has already agreed would be desirable and now, it is maintained, there would be little, if any, danger involved, since the United States no longer has a monopoly of atomic knowledge. The contention is that people cannot judge whether they are being adequately safeguarded against atomic attack unless they are told more about the issues involved.

Recent Gallup polls, taken, it seems, before the hydrogen bomb announcement, showed that there was then little concern about atomic dangers and less about the weakness of civil defence. This lack of interest has been reflected in Congress, which appropriated only \$46.5 million for civil defence this year, although President Eisenhower had asked for \$125 million. The publication of a restricted report, known as Project East River, on the probable effects of a hydrogen bomb attack would, it is suggested, blow this apathy sky high. Similarly the publication of another secret report, Project Lincoln, on how the United States might be rendered comparatively safe from atomic attack would blow sky high the attempts to slow the expansion of the Air Force. Together the two schemes would cost billions of dollars and, even if adopted only in part, would certainly explode any hope of balancing the budget for years to come.

Meanwhile the hydrogen bomb announcement in itself has probably made it more difficult to balance the budget next year. For even if the new Joint Chiefs of Staff are prepared to agree to another cut in Air Force funds—the Bureau of the Budget is said to be again insisting on a \$5 billion reduction—the increased danger from the Soviet Union will reinforce the case of those members of Congress who were attacking the Administration on this point during the last session. Already they have received influential support from, among others, General Bradley, who has said that the Air Force is weaker than as a military man he considers safe; but he emphasises that the final decision on what the country can afford must rest with the civilian authorities.

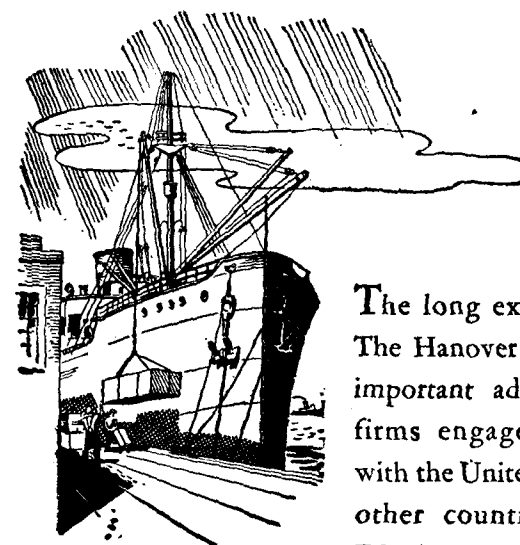
Power Neutrality

THOSE in Washington who have been wondering why the Administration chose this moment to issue a detailed, but nevertheless vague, statement on its policy regarding the production and distribution of electric power have perhaps forgotten that the Secretary of the Interior has been visiting his native Pacific Northwest. There the generation and marketing of hydro-electricity is the liveliest political issues and he was probably driven to say where he stood. Taking the statement at its face value, he stands in the middle, between the advocates of federal power development and the private utility companies. The government is still prepared to consider the construction of hydro-electric generators and even transmission lines, particularly when these are part of multi-purpose projects (involving flood control, irrigation and so on) which are too large and complex to be handled by local authorities or private enterprise. But in the main it will be left to these two groups to provide the additional electric power the country needs.

In practice, as had already become apparent from specific departmental decisions, this was in any case the inevitable result of the Republican determination to get the government out of competition with private business, and to economise. For the present little or no federal money will be available for power developments, except to finish some that are too far advanced to stop, while both local governments and private companies have cash in hand. The statement leaves the federal authorities free to resume the building of power projects, should economic conditions make such public works desirable.

During the Democrats' twenty years of office, the country's annual production of electricity was quadrupled and the federal government became responsible for 13 per cent of this output instead of for practically none of it. In contrast to this aggressive public power policy, the neutral position of the Eisenhower Administration appears to favour private interests, and the Democrats are already talking about "the dim-out" and asserting that the utility lobby, which they fought for so long, has been handed victory on a plate, with electricity consumers left to pay the bill. Under the new policy federally produced power is to be transmitted and sold by private companies as far as possible; domestic and farm consumers are to be preferred to large industrial users, although, as is legally required, municipal and co-operative distributors will still come first.

This is worrying for aluminium producers and other manufacturers in the Northwest, who rely on plentiful and cheap federal power, especially since they have also been warned that charges are going up. What this neutral



The long experience of The Hanover Bank offers important advantages to firms engaged in trade with the United States and other countries in the Western Hemisphere.



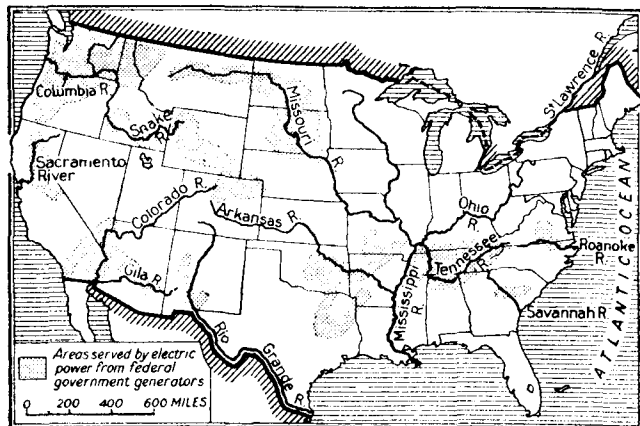
THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E.C. 2

NEW YORK . . . 70 Broadway

policy means in immediate terms of electricity prices may be made clearer by new contracts for the supply of federal power which are now being negotiated. What it means in



the broader terms of electricity production depends largely on the Federal Power Commission, the independent agency which must approve all new projects.

Storm in an Additive

HONOUR has been saved all round in the dispute that blew up last spring about the battery additive and the Bureau of Standards. It arose when Dr Astin, a distinguished scientist associated with the invention of the proximity fuse, was forced to resign from the directorship of the bureau by Mr Weeks, the Secretary of Commerce. The only specified reason was that tests carried out by the bureau at the request of the Federal Trade Commission on a compound called AD-X2, which is supposed to give new life to old batteries, were "insufficiently objective." The bureau had found after extensive testing that AD-X2 left the battery very much as it found it, and as a result the Post Office had issued a fraud order which would have stopped the manufacturer, Mr Ritchie, doing business through the post. The reflection on Mr Astin's professional integrity brought him such powerful support from his fellow scientists that Mr Weeks took shelter from the wrath by bringing in two groups of independent scientists, one to study the management of the bureau and the other to test the additive again.

Now after an interval of four months all is well. Dr Astin is reinstated; Mr Ritchie is found to have had no intention to deceive and the fraud order is withdrawn; and Mr Weeks is able to announce that his suspicions about the lack of balance in the bureau's activities and the faultiness of its administrative procedure have been confirmed. In future the Secretary of Commerce himself will decide whether the bureau will take on work for the Federal Trade Commission and whether an adverse report on a product should be published. Dr Astin will be relieved of administration, so that he can concentrate on science. Finally the Defence Department is no longer to occupy three-quarters of the time and resources of the bureau, but is to take most of its work to private laboratories. It is too early to tell what effect this will have or whether the Federal Trade Commission's policy will fall into line with Mr Weeks's doctrine

that the public should only be warned off products that are positively harmful.

That particular charge has never been made against Mr Ritchie's compound of Epsom salts and Glauber's salts, with or without the seven "trace elements" which are supposed to make AD-X2 all he claims it to be. Although the independent test has yet to be made Mr Ritchie has announced that he has finished fighting the government. "I'm going to start pouring AD-X2 into every car battery in the United States," he has said, and with all the free publicity he has received he may not fall far short of fulfilling his boast.

Contracting for Equality

ALTHOUGH he has not asked Congress for any legislation against racial discrimination, President Eisenhower has shown his good will by administrative action. Under his prompting the Services have moved nearer to the complete end of segregation and in March he banned it in the army schools. Now he has appointed a strong committee under the Vice-President, Mr Nixon, to keep a check on the enforcement of the fair employment provision in government contracts. Nearly all these contracts have a clause binding the contractor "not to discriminate against any employee or applicant for employment because of race, creed, colour or national origin," but it usually appears in small print. To judge from the record of enforcement so far neither party to the contract tires his eyes on it.

The new committee, which consists of six government officials and nine public members, including the presidents of the American Federation of Labour and the Congress of Industrial Organisations, will receive complaints of discrimination and see to it that they are taken up by the contracting agencies. This still leaves the actual enforcement of the clause to the agencies, which usually show themselves reluctant to press matters to the extent of cancelling the contract. The Vice-President's committee is given wide authority to work with official and unofficial fair employment practice commissions in the states and to conduct propaganda against discrimination generally. Its work will test whether prejudice can be effectively dealt with by firmness and persuasion without further compulsion.

The only legislation passed this year that affects a racial minority does in fact threaten the power of federal authorities to control policy. The Bill was intended only to ratify carefully negotiated agreements with Indian tribes in California, Minnesota, Nebraska, Oregon and Wisconsin, ending their special legal status and allowing Indians to appear before the state courts as ordinary citizens. Suddenly it was widened in the Senate to give any state the right to assume criminal and civil jurisdiction over its Indians. It was then sent to the White House virtually without debate in the course of the adjournment rush. The President was urged to use his veto to safeguard Indians from the danger of being deprived of their tribal government and removed from federal jurisdiction without any prior consultation. He finally signed the Bill in order not to hold up progress towards political equality in the five states primarily concerned, but asked Congress to put things right next year.

The World Overseas

Soviet Economy After Stalin—I

Malenkov Poises the Scalpel

HAS Malenkov's speech promising more and better consumer goods in the near future opened a new era in Soviet economic planning? During the preceding 25 years of planned economy all the energies of the country were harnessed for the development of steel, of heavy engineering and of a fuel and power basis. The consumer was getting from time to time a slice of the rapidly growing national cake, but basic production had first call on the scarce resources. The present or fifth Five Year Plan, drawn up before Stalin's death, was established on the same pattern. True, the consumers were promised a somewhat bigger slice than usual, but the emphasis was still on heavy industry. Now Malenkov has asserted that the targets for light industry must be reached ahead of schedule and the output of consumer goods speeded up. Since the Plan, now at its half-way mark, already assumed the fullest use of existing resources and a 50 per cent increase in productivity, any big jump in the output of light industry can be obtained only by a shift—presumably a cut in the heavy industrial sector. This article will review briefly the foundations of the economy bequeathed by Stalin to his successors and the difficulties they will find in applying the scalpel, let alone the axe, to the inherited programme of expanding basic industry. Later articles will deal with the position and prospects of the Soviet consumer, and with the state of agriculture, on which the standard of life of the population largely depends.

When reviewing the progress of Soviet basic production during the 25 years of the Stalinist era, Malenkov could juggle with dazzling percentage increases. Despite the upheaval of collectivisation and the ravages of war, the Soviet Union has advanced with giant strides. In the twenties its economy was still semi-Asiatic. Now the USSR is the world's second industrial power, and Europe's first

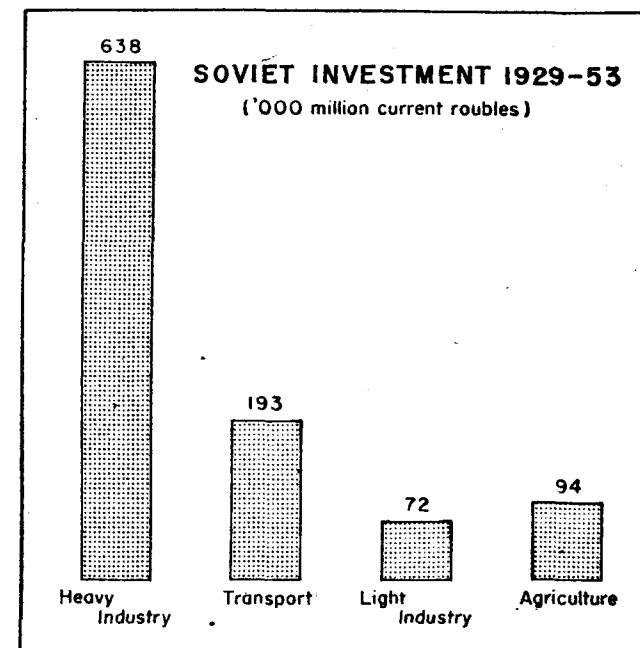
by a long way. To achieve this the wishes of the consumer have had to be ignored. Seventy per cent of industrial labour is employed in heavy industry and producers' goods account for 70 per cent of total industrial output. Throughout the period, about a quarter of the national income had to be reinvested every year and investment had to be channelled into heavy industry.

Stalinism was the political result of this gigantic experiment in planned industrial revolution at break-neck speed. Having paid that price, the Soviet economy is now catching up with the combined output of the United Kingdom,

France and Germany in coal, electricity, steel and engineering. Whatever its decision upon the final apportionment of the national product, the new regime is unlikely to arrest the development of the steel and fuel base of the country. The planned output for this year disclosed by Malenkov shows no departure from the established trend. Coal extraction is lagging behind, chiefly because of insufficient use of available equipment, and a great drive is being carried on for higher productivity in the coal mines. Crude oil extraction seems also behind its ambitious objective, but here progress is normally made by leaps and the planners may hope

to make up the loss through successful strikes in the "Second Baku" area. Output of steel and particularly of electricity, on the other hand, is likely to exceed planned targets.

The real opening for improvement lies in a shift from heavy to light engineering. Malenkov declared that this will be done, without stating on how big a scale. The output of the engineering and metal processing industries was to be doubled during the current five-year period, and the bulk of this production was earmarked for strengthening the basic economic potential of the country. Since, in the Soviet race with the West, the development of economic



potential is at least as important as direct output of arms, any important shift would involve a radical change of policy. Indeed, there may be more room for pruning in the production of conventional armaments. The relative decline of direct defence expenditure in the Soviet budget may be interpreted as a sign that output of conventional armaments has reached its peak, that demand in certain lines has been saturated, while in others it is preferred to concentrate on prototypes instead of piling up stocks likely to become obsolete. Yet the resources freed in this way could well be swallowed by atomic or hydrogen projects. In fact, if the Kremlin wants to keep up with American development, the drain on the Soviet building and engineering industries would be even greater. This could account for the mysterious rise in the residual "other" expenditure in the latest Soviet budget.

BASIC PRODUCTION (million tons)				
	Coal	Elec- tricity*	Oil	Crude steel
SOVIET UNION:				
1940	166	48	31.0	18.3
1950	260	90	37.8	27.3
1952	300	117	47.4	34.4
1953 plan	320	133	52.0	38.0
1955 plan	372	163	70.0	44.2
UK, FRANCE & WEST GERMANY:				
1952	425	158	2.0	46.0

* '000 million kwh

There is another possible explanation of this mysterious rise; the indecision of the rulers in Moscow. A revision of the Plan for the benefit of the consumer has been announced, but the revised targets have not been disclosed. A change in the structure of Soviet economic development could be carried out only in a changed international climate. The planners have been told to step up production for the consumer, but wherever they look for alternative resources they meet the policy-makers' veto. The dilemma of the new regime is that it has pledged itself to provide more consumer goods than Stalin had promised, yet feels unjustified, as yet, in altering the strategy on which the Stalinist plan of production was based.

(To be continued)

The Riots in Ceylon

IN a day of riot, looting, arson and bloodshed, 21 people lost their lives and 175 others were injured in the disorders that swept Ceylon on August 12th. The blame for this tragic episode rests squarely on the opposition parties, whose leaders recklessly ordered a hartal (stoppage of work) as a protest against the government's budget decisions. It must have been obvious to them that in the circumstances of widespread public resentment at the increased cost of living such action could only be inflammatory. The hartal was planned as a peaceful demonstration, but troublemakers soon got among the mob. Stones were thrown, cars were overturned and burned and at places the security forces were forced to open fire in self-defence. The

demonstrators were most active in disrupting transport services. Buses were halted, and saboteurs, acting on obviously prearranged plans, damaged railway lines leading to Colombo and other centres. It was no coincidence that the most ugly scenes occurred in Colombo, since it is here that the Communist influence is most strong. Indeed the municipal authority openly supported the demonstrators by hoisting a black flag over the town hall. The disorders were not, however, confined to Colombo; there were demonstrations in many other places, making more difficult the job of restoring order. Yet on the whole the security forces, which included police, army, and naval forces, maintained exemplary discipline. The excuse for the hartal was the government's decision to reduce the subsidies on rice and wheat, thus causing food prices to rise immediately. To add to the difficulties, increased postal, travel and electricity charges were also announced. Though these burdens are undoubtedly harsh and the government cannot escape censure for its past dilatoriness, the opposition cannot provide any reasonable alternative to cope with Ceylon's economic plight. Sensing the public's dismay at the new food policy, and realising the government's own embarrassments, the opposition leaders threw their energies into blowing the question up in the public mind. On July 25th, budget day, a crowd of demonstrators which had somehow learned of the government's intentions caused a disturbance outside parliament. They were applauded by the opposition. Later protest meetings were held in various places in the island; petitions were presented to parliament; and finally the hartal was staged. Inside parliament a running criticism of the budget was maintained, in which Mr. S. W. R. D. Bandaranayake, who at one time held office in the government but split away to form the moderate Sri Lanka Freedom party, took a prominent part. Unfortunately, since he is a man respected for his integrity and ability, he has allowed himself and his party to become the dupes of his extreme left-wing colleagues.

Marxism in 3-D

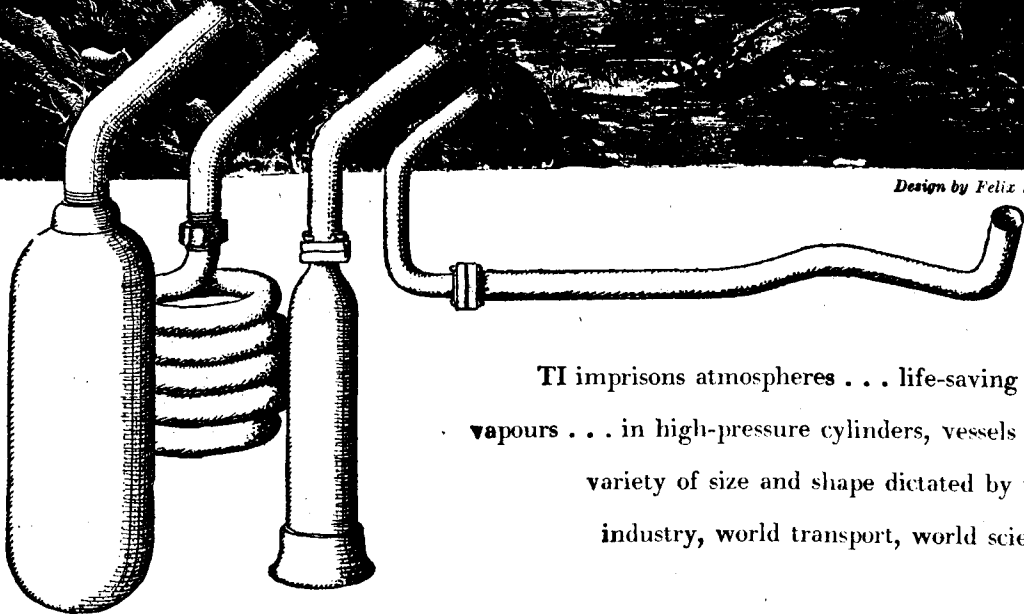
The Ceylon Communist party whose leader, Pieter Keuneman, is probably the most active in the left-wing group, has no monopoly of Marxist following in Ceylon. Dr N. M. Perera, leader of the Nava Lanka Sama Samaja party, a Trotskyite, and Mr D. P. R. Gunawardene, a Revolutionary Marxist, are also in competition for leadership of the extreme left wing. In fact, an attempt to form a popular front failed because the Communists demanded complete subservience to Moscow and Peking, which the others would not accept. The Communists and their Marxist collaborators undoubtedly welcomed the strike, if not the bloody consequences, as an opportunity of testing their revolutionary powers. There is some evidence that well-laid plans existed to cause countrywide disruption and even to start a Malayan-type insurrection; but the events of August 12th were probably not part of a deliberate plan. Nevertheless Communist agitators were well to the fore. It is regrettable that they had moral support from the moderate left wing, though the latter subsequently tried to disown any responsibility for the episode. The government's response was swift and decisive. A state of emergency was declared, a curfew imposed, and troops and police, reinforced by the newly formed home guard detachments, were placed in readiness to meet any



imprisons atmospheres



Design by Felix Kelly



TI imprisons atmospheres . . . life-saving gases, superheated vapours . . . in high-pressure cylinders, vessels and tubes of every variety of size and shape dictated by the needs of world industry, world transport, world science and medicine.



TI is a group of interrelated engineering companies whose manufacturing activities are wide: from precision tubes to bicycles, to components for cars and ships, aeroplanes, locomotives . . . to wrought aluminium, pressure vessels, electrical equipment and appliances, metal sections, mechanical handling, machine tools, gland packings, bus body framing and seating, paints, road signs, tubular furniture . . .

WE'RE INVITING INVESTMENTS

and this is why!

More houses are going up. More purchasers are asking building societies for advances to pay for them.

In the first six months of 1953 this Society agreed to lend £3,804,000 for the purchase of 2,582 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.

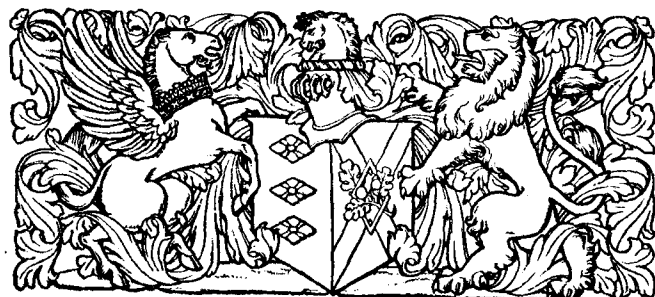
If you would like particulars please write to the

CO-OPERATIVE PERMANENT BUILDING SOCIETY

NEW OXFORD HOUSE
LONDON, W.C.1.

City Office:
163, MOORGATE, E.C.2.

ASSETS £75,000,000
75 BRANCHES



Quality Furniture has BRITISH LEATHER UPHOLSTERY

For long life and comfort there's nothing like leather

Yours faithfully

FAITHFUL service to the needs of agriculture, commerce, industry and the people of Britain is the objective of the Bank, in which all the advantages of intimate local knowledge of people and affairs are used to the benefit of customers and prospective customers. Local Boards of Directors in important centres in association with resident District General Managers have, for many years, contributed much to the successful achievement of this objective in providing a distinctive banking service for everybody.

Enquiries will be welcomed and will meet with immediate and courteous attention at the local District Office or through any branch.



MARTINS BANK

Limited

HEAD OFFICE: 4, WATER ST., LIVERPOOL, 2

LONDON DISTRICT OFFICE: 68, Lombard Street, E.C.3.
LEEDS DISTRICT OFFICE: 28-30, Park Row, Leeds, 1.
LIVERPOOL DISTRICT OFFICE: 4, Water Street, Liverpool, 2.
MANCHESTER DISTRICT OFFICE: 43, Spring Gardens, Manchester, 2.
MIDLAND DISTRICT OFFICE: 98, Colmore Row, Birmingham, 3.
NORTH EASTERN DISTRICT OFFICE: 22, Grey Street, Newcastle upon Tyne, 1.

Total Assets (as at 30th June, 1953) £347,975,315

further outbreak of violence. As quickly as the trouble flared up so did it die away, and by August 20th the curfew was lifted, and a few days later the state of emergency relaxed. The government has, however, decided to strengthen the Public Security Act by an amending act which will give it power to crush any future trouble. It has also arrested certain Communists and raided their offices.

The lesson to be learned from the riots are many. Firstly, it should be a further lesson to non-Communist left-wing groups that they are bound to lose to, and be engulfed by, the better organised and ruthless Communist party, in any attempt to lead a stand on the barricades. Secondly, that even the most stable Asian non-Communist government has precious little freedom of manoeuvre. Finally, that even a pacific and democratic government such as Ceylon's must necessarily maintain expensive, but adequate, forces to thwart a Communist rising. It must be hoped, however, that the government, despite the danger, will not use the episode as an excuse for imposing the oppressive security measures any longer than is necessary.

Purge in North Korea

TREASON trials in Communist states are proof of serious dissensions within the dictatorial party-state, but they do not necessarily reveal the differences involved. The charges made invariably conform to a formula of conspiracy in the service of foreign imperialism. The latest batch of eminent Communists to perish as imperialist agents has been a group of North Korean leaders, including Ho Kai Ye, Vice-Premier, and Lee Sung Yup, Minister of Justice and Mayor of Seoul during the North Korean occupation of the city. Ho Kai Ye, after a period during which his name was not mentioned by press or radio, was officially declared on August 11th to have committed suicide, a few days after Lee Sung Yup and nine others were sentenced to death for espionage on behalf of the United States.

The careers of these two men have been strikingly dissimilar, although they are believed to have become very closely associated in a clique within the North Korean government. Ho Kai Ye, born in Siberia, was a Soviet citizen until 1945, becoming a functionary of the Soviet Communist party and an officer in the Red Army. He was one of the Soviet citizens of Korean origin whom the Russians brought into Korea when they occupied the northern part of the country in 1945 and used to set up a Communist regime. He headed the secret police organisation in North Korea in close liaison with the Soviet MVD, and was probably picked for the post by Beria.

Lee Sung Yup, on the other hand, belonged to the Communist party within Korea, and for two years after the expulsion of the Japanese his political activity was carried on in South Korea; he only migrated to the north in 1948, when the South Korean Communists were driven underground. In the early days of the occupation, when the American authorities in Seoul were by no means anti-Communist and were hoping for some kind of coalition, such as General Marshall was simultaneously trying to bring about in China, Lee had contacts with American officials which have now been turned against him at his trial; his negotiations were doubtless carried on with the authority of the party at the time, but any Communist who in

the party's service has contacts with non-Communist parties or states will have them represented as treasonable if ever he is put on the spot by his rivals, for such incidents provide a convincing element of genuine fact. According to a Pyongyang broadcast Lee Sung Yup confessed that

Immediately after the August 15th liberation I wanted to secure my political position under the ægis of America, and to this end I had been supporting the policy of the American forces which had landed in South Korea, especially at a press conference with American newsmen in September, 1945, when I issued a statement that the Korean Communist party would support the policy of the American forces and foster friendship with the USA. . . . [In May, 1947] Dr Noble [then political adviser to the American military administration] said to me: "America has no intention of aggression against Korea, but the North Korean Red regime and the Workers' Party are positively opposed to the USA. If patriots like you tried to establish a united government including the Leftist, Rightist and middle-of-the-road forces of Korea, it would be successful and the USA would extend active aid to you in the effort."

In view of the coalition-promoting policy of the Americans at that time, it is very likely that Dr Noble did say something of the kind and encouraged Lee to believe that he might be able to get both Russian and American backing. But for the allegation that he went to North Korea in 1948 as an American spy and sent back information through intermediaries in the American service there is no evidence but the confessions of the accused, which are of a kind with those of Zinoviev, Bukharin, Slansky and the subsequently cleared Kremlin doctors. In any case, the alleged motives for Lee's alleged crimes could not apply to Ho Kai Ye, who was of the purest Soviet breeding and had had no contacts with the Americans in South Korea.

Four Clues in the Mystery

The real reasons for the purge in North Korea remain wrapped in mystery, and there appear to be four distinct hypotheses from which to choose. The first is that, even though the accused may not really have acted as American spies, they nevertheless favoured doing a deal with South Korea and the Americans or playing them off against Russia and China, whose tutelage in North Korea may have become irksome. Lee Sung Yup's former contacts with the Americans may have led him to believe that direct negotiations with them might be profitable for Pyongyang; such suggestions would arouse suspicion and alarm among the more intransigent section of the North Korean leadership and in Moscow and Peking, where the possibility that the North Korean regime might crack under the strain of war must always have been borne in mind. It seems, on the other hand, unlikely that Ho Kai Ye, as the most "Muscovite" of the North Korean leaders, would be in favour of overtures to the west or of "Titoist" attempts to wriggle loose from international Communist control.

The second possible explanation is the exact opposite of the first. It is that the condemned men favoured carrying on the war *à outrance*. Reports reaching United Nations headquarters have indicated that opinions were divided in Pyongyang on the desirability of an armistice. The faction in favour of ending the war might find it expedient to discredit their opponents by compelling them, in the usual Communist manner, to confess to being imperialist agents. It would be as if the Americans were to arrest Syngman Rhee and make him confess that he had been acting under

instructions from Moscow (which might indeed be a most happy solution of the problem he presents on the other side of the line).

The third hypothesis is that the purge represents a victory of a pro-Chinese over a pro-Russian faction. The North Korean regime was originally set up under the Russian occupation, but since the Chinese intervention effective power in the country has passed to Peking. Two Korean Communists trained in Yen-an have recently been playing a prominent part in North Korean affairs, and Ho, as the boss of the earlier period, may have been marked down for elimination by the new men. If so, his removal must have been either in defiance of Russia, or with Russia's consent as a result of a bargain with Peking.

The fourth possibility is that Ho was a Beria protégé and that his elimination has been a sequel to the anti-Beria coup within the Soviet Union. Communist politics are essentially a system of political patronage, so that the purge of a leader involves the purging also of men he has promoted. If this is the explanation of Ho's "suicide," Lee and the others were probably also in their turn purged for attaching themselves to Ho. They received a trial with confessions, whereas Ho perished in darkness behind the scenes, nobody knows how. Perhaps it was thought unwise to produce him in public along with men who had been exposed to contamination south of the thirty-eighth parallel. In any case, they are now all dead.

Formosa—The Island Fortress

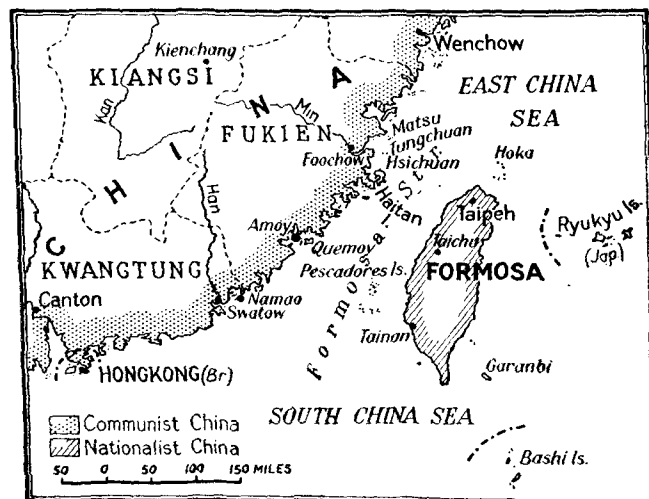
BY A CORRESPONDENT RECENTLY IN FORMOSA

TODAY the visitor coming to Formosa from other parts of South East Asia may be surprised at the evidence of good local administration, the correct behaviour and smart appearance of the army and the comparative prosperity of the peasantry. The combination of American aid and a determined effort at regeneration on the part of the Nationalists has indeed done much over the last four years to improve the relations of the Formosans with the men from the mainland. In 1949, when the defeated Generalissimo arrived in the island with his bedraggled and demoralised army and their dependents, the Formosans felt little love for their homeless overlords. They remembered the dismay with which in 1945, after the Japanese surrender, they witnessed the ruthless behaviour of Chiang-Kai-shek's representative, the notorious Governor-General Chen Yi.

Shock and shame have been the twin generators of reform among the Nationalists; it is their present policy to win back the respect of the mainlanders and the world at large by creating in Formosa a "model province." Their primary task has been to obtain the co-operation of the Formosans themselves, and in this they have largely succeeded owing to the vision, integrity and hard work of Dr K. C. Wu, a graduate of Princeton, and a former Mayor of Shanghai and Chungking, who has been Provincial Governor since December, 1949. Under his leadership and in close collaboration with his predecessor, the present Premier, the Provincial Government has carried out a series of administrative reforms, and, in addition, a growing number of Formosans have been given responsible posts in the local administration. But today, after four years of overwork, Dr Wu is a sick man with a job as yet unfinished.

Among the most important of the reforms is the land reform programme, which was begun in 1949 with the decision to reduce land rentals from over 50 per cent of the harvest to a maximum of 37.5 per cent. This was followed in 1951 by the sale of 36,000 hectares of public land (land confiscated from the Japanese State and private landlords). A second sale of 29,000 hectares, in recent months, makes most tenants the owners of the land they till. Each household may buy from one to four hectares and the cost may be paid in kind over a period of ten years. Though the success of this operation is by no means proven (land reforms can become a moneylenders' paradise), there is evidence that it has caught the imagination of the peasantry. At the same time the provincial government has initiated labour insurance. Inflation, one of the main causes of the downfall of the Kuomintang on the mainland, has been curbed, and the currency pegged to the US dollar.

The Kuomintang party has also had its reforms. Corrupt officials have been dismissed, and, with the exception of the Generalissimo himself, there are few in senior positions with



a "past" to live down. Of the men who surround Chiang, many were educated in the West, including the Foreign Minister, George Yeh, who has always been very friendly towards Britain. Chiang's eldest son, on the other hand, who was trained in Russia and has a Russian wife, is no friend of Britain. Although his "past" reputation makes him politically unacceptable as heir-presumptive to the Presidency, he wields considerable power in the island. As head of the Political Department of the Ministry of Defence, his job is to extirpate Communism from the island and to indoctrinate the Services in Kuomintang principles; to do this he applies authoritarian police methods. Of Chiang's other two sons (all three of different wives, the present Madame being mother of none), one commands an armoured brigade and the other an internal civilian airline; neither appears to have political ambitions.

Chiang himself is a lonely figure, living a simple life in a villa in the Grass Mountains outside Taipei. If, however, the presidential election which is due next year is in fact held, there is at present no sign that Chiang will stand down in favour of anyone else. There seems, indeed, to be no obvious succession to the leadership of Free China, unless it be the present Premier, Chen Cheng. With his cabinet colleagues he looks upon the Nationalist forces as the "spearhead of the ineluctable counter-revolution."

Few responsible Nationalists, however, feel that a return

to the mainland is feasible politically or militarily without the active and co-ordinated support of the anti-Communist guerrilla leaders on the mainland. The strength of the guerrillas is naturally exaggerated by the authorities in Taipei, and there is no evidence that they number more than some tens of thousands, or that they have anything more than a nuisance value. But the increasing brutality of Mao's regime, the Chinese resentment at overt Russian influences, the purging of deviationist intellectuals and the compulsory indoctrination of the peasantry are swelling the ranks of "maquisards."

A general is in charge of overt mainland operations from Formosa, and a covert organisation, known as Western Enterprises, responsible to Chiang himself and financed, so it is said, by the proceeds of the investments of the Soong family in various parts of the world, feeds partisan groups with arms and supplies. But although there is radio communication between various guerrilla bands and Taipei, and occasional visits by guerrillas to Formosa, resistance appears to be neither co-ordinated nor widespread.

Lack of reserves is the Nationalist weakness in all fields, military, financial and civilian—for few mainlanders of quality reach Taipei. Although the government has introduced the conscription of Formosans in certain age-groups, and the compulsory retirement of officers whose age or health or capabilities no longer qualify them for active service, the armed forces (whose average age is around twenty-eight) are a wasting asset.

Only Tip and Run

Some half a million soldiers, sailors, airmen, and marines are training with enthusiasm and discipline against the expected day of return to the mainland. But in spite of increasing American supplies, their equipment is still largely obsolescent. About half of them are well enough equipped for battle, but owing to lack of air support and landing craft they cannot do more than continue, and gradually intensify, the tip-and-run raids on the Chinese mainland. Recently their appetite for amphibious operations on a larger scale has been whetted by the visit of a US Marine troop-training unit, which gave "model" demonstrations of the technique of amphibious landing. And the Nationalists have managed to compel disclosure of the fact that, although "the wraps are off," they are still bound to consult Washington before launching any major offensive. This may save some of the face they have lost by confining their recent activity to attacks on merchant ships. But there is little prospect of Chiang being able to, or even wishing to, unleash a real attack on the mainland—as opposed to a probing "Dieppe" operation—unless and until the Americans give a promise of logistic support. On the other hand there is always the possibility of a Communist attack on the smaller Nationalist-held islands—such as Quemoy with its important bauxite deposits.

Altogether, there is much that is noble and much that is tragic in the Kuomintang regeneration. But despite growing restlessness in the mainland, there is no evidence as yet that non-Communist Chinese look to the Kuomintang and their American backers for leadership. The Americans, however, still feel it worth while to continue economic aid on a scale of a hundred million dollars a year, and there is no sign of any cut in either military or economic assistance for the "unsinkable aircraft carrier" one hundred miles from the coast of the Chinese People's Republic.

European Refugees in China

FROM A CORRESPONDENT

THERE are now in China between fifteen and twenty thousand people who must either receive an entry visa for another country or perish. The majority are stateless persons of Russian origin who are now caught by the spread of Communist control. Others include Armenians, Jews, Austrians, Greeks and Spaniards. All had been living peaceably in China. Now their means of livelihood have vanished. Small businesses have been expropriated; public utility companies get rid of unwanted employees; and the foreign firms employing others have been closed or are in the last stages of the struggle to continue, their payrolls carrying numbers of redundant Chinese replacing the foreigners whom they were forced to dismiss.

After losing a job, a person can expect to exist for just so long as he or she has goods to sell, or savings to spend, or can somehow receive foreign charity. Many families had already lost their menfolk through deportation during the past five years, leaving a high proportion of women, children and elderly people. Yet on the whole these people are relatively well adapted to earn their living in the free world. Many of them learned to speak English or French in China. They were usually either merchants or commercial employees, small traders or artisans, or else employed in the public service.

The "squeeze" affects all foreigners who are not directly useful to the regime, but the smaller groups of Jews, Germans, Austrians, Greeks and Spaniards can easily obtain passports and are not strictly refugees, though many of them need assistance in order to leave China. The remaining groups of stateless foreigners are in much the same plight as the stateless Russians. The attitude of the Chinese authorities to these people is clear: "Let these Western-minded elements get out to where they belong. There is no room for them in the New China, and there will be no pity for them if they stay."

The first wave of would-be emigrants was dealt with by the International Refugee Organisation, working from Shanghai, between 1947 and 1951. Of 29,000 registered by the IRO, 13,500 emigrated directly during those four years and a further 5,500 were removed to the island of

EARTHQUAKE IN GREECE

Donations to the fund opened for the relief of the victims of the Greek earthquake may be sent to

GREEK EARTHQUAKE APPEAL
20 Gordon Square, London, W.C.2

Cheques should be made to the order of "Greek Earthquake Appeal".

Donations can also be handed in at any branch of any bank in the United Kingdom.

Samar in the Philippines as an emergency measure. At the end of IRO operations in December, 1951, 4,000 registered refugees were still left in China, mainly in Shanghai. Since then the worsening situation has already added more than 12,000 elsewhere in China.

Since Communist rule has rendered Shanghai unusable for an international operation, the movement of refugees is now arranged through Hongkong. The UN High Commissioner for Refugees has assumed responsibility for their international protection and provides a limited amount of cash assistance to indigent, aged or sick people. Under his auspices a small Chinese ex-IRO staff remains in Shanghai to administer this programme. This staff remains in being *nolens volens*, for a reason which throws much light on the Chinese attitude. The Chinese say that the IRO has registered, and thereby assumed responsibility for, some thousands of persons in whom the West professes to be interested. Therefore, the IRO will not be allowed to wind up its work in China until it has dealt with the persons whom it has registered (i.e. the original 4,000, not the subsequent 12,000 whose registrations are held outside China). In fact, if not in name, the former IRO staff remain as hostages for the discharge of that obligation.

Since the close of the IRO, a joint office of the High Commissioner and of the Intergovernmental Committee for European Migration has functioned in Hongkong. Until recently, however, movement has been appallingly small. Fewer than a thousand refugees left in 1952 and, but for the efforts of the international voluntary agencies which also maintain offices in Hongkong, emigration would have been a pathetic trickle.

Closed Doors

At the beginning of 1952 the United States, Canada and Australia, three of the largest "takers" under the IRO programme, virtually cut off the immigration of refugees from China. What remains? Certain countries in South America offer the most reasonable immediate prospect, together with Israel for Jewish refugees. The international voluntary agencies, notably the Refugee Service of the World Council of Churches, have made use of these opportunities, and upwards of 4,000 visas have been obtained. To its lasting credit, Brazil has granted thousands of visas. Another honourable exception is the Belgian Government, which has granted permanent asylum to scores of aged refugees. But neither the scale nor the pace of these achievements has been commensurate with the size and nature of the problem.

There are three priorities for the solution of the problem of the China refugees, none of which is being adequately met at present. They are: visas for permanent immigration, expeditious processing, and money for movement, in that order. Entry visas are by far the most important and urgent. But the free nations still grant visas in miserly units, asserting their sovereignty by picking, choosing and excluding.

Final processing is at present done through Hongkong, where the authorities allow only a brief stay, and that only for persons already in possession of a visa for their country of destination. This makes necessary a complicated form of placement-through-correspondence by the voluntary agencies, leading to a request by the refugee for an exit-permit from China when it is known that a visa for another country awaits him in Hongkong. Special arrangements have been

made for the few people who have a chance of emigration to the United States under the quota system. In order to enter Hongkong, appear personally before the American consul and await the outcome, they have to be provided with a visa for another country to which they must proceed if the consul rejects them, or if the British authorities decide that they have spent too long in Hongkong. Half a dozen countries have each given a few such visas, known as "alternative end-visas" (50 in all) with the understanding that they may be used again if previous holders proceed to the United States. The Refugee Relief Act passed by Congress this month provides for immigration during the next three years to include 2,000 refugees "residing within the district of an American consular office in the Far East . . . not indigenous to the area." This gives new hope for the admission to the United States of a larger number of European refugees from China; but they still face the difficulty of finding a temporary haven, outside China but still in the Far East, where they may apply to a US consulate.

The third priority, money for movement, is the least pressing. This should not obscure the fact that relief is needed now, in China, for many people on the verge of starvation, and will continue to be needed, until visas are granted in sufficient numbers. Yet to continue emergency assistance through the Shanghai office until the end of December at the rate of only 37 cents a day will cost the Refugee Emergency Fund \$450,000.

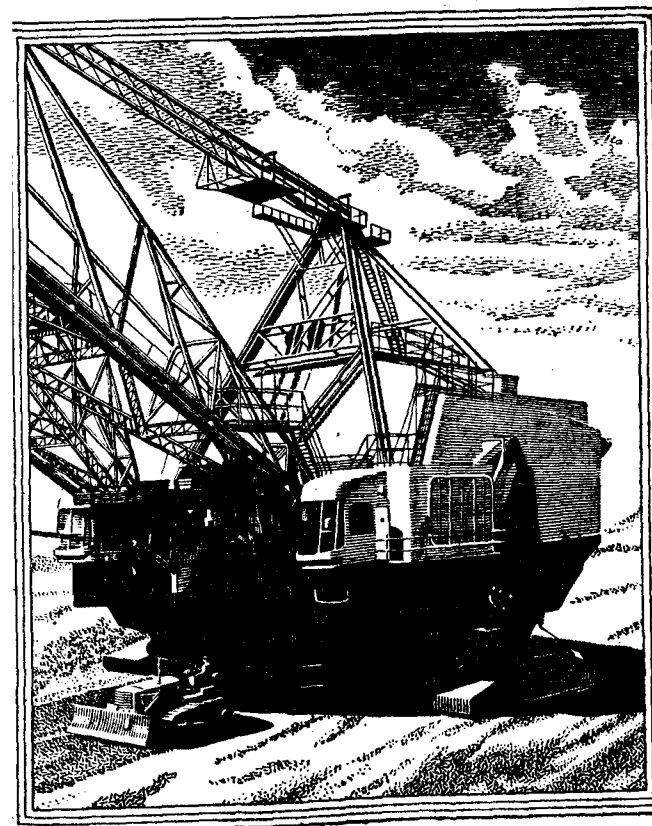
False Sympathy

In his second annual report to the General Assembly last December, the High Commissioner stressed the Far Eastern refugee situation as one of his main preoccupations. His report was received sympathetically and the Assembly adopted a resolution which noted that the High Commissioner has insufficient funds and called on governments to give refugees a place in migration projects. But where are the deeds to match these words? Last September the High Commissioner addressed a letter to twenty-two governments calling their attention to the plight of refugees in the Far East and asking for the grant of visas. In October his advisory committee of governmental delegates endorsed the appeal. In four months only eight governments bothered to reply, and the replies held out little hope. One government wrote that it will "follow with interest" the efforts of the High Commissioner.

There has hitherto been a certain grim correctness on the part of the Chinese authorities who, after all, could have resorted to forcible repatriation. But nobody dare prophesy how long this attitude will continue. The voluntary agencies have done and will continue to do their utmost. Relatives and friends who themselves emigrated only three or four years ago have written in their hundreds offering to defray the cost of passage or to support the refugee until he can find his feet. But governments alone have the power to open the door adequately and humanely.

★

Correction.—In last week's article on "France's Economic Ills" it was incorrectly stated that "France needs 20,000 flats a year just to maintain the present unenviable state of affairs." The figure should have been 210,000.



There's a future in STEEL

THE WORLD'S largest walking dragline is in operation in the open-cast iron ore quarries at Corby. It weighs 1,650 tons, has electric machinery totalling 3,150 h.p., stands as high as Nelson's Column and walks to work on two steel shoes that weigh 56 tons each. A special high-tensile fine-grain steel was evolved to help make the 282-foot jib.

This Wellsian machine completely dwarfs the bulldozer working with it. It was designed and built in this country by Ransomes and Rapier Limited to strip overburden that no other single machine could cope with. With one man in control it bites out twenty-seven tons of earth every minute, deposits it nearly two hundred and sixty feet away and can work right round the clock. It is laying bare seams down to a hundred feet.

In this and other ways the steel industry is increasing its raw material supplies, both at home and abroad, to keep pace with the industry's continuous programme of modernisation and expansion.

● Issued by the BRITISH IRON AND STEEL FEDERATION
Steel House, Tothill Street, London, S.W.1

ALLIANCE ASSURANCE COMPANY LIMITED



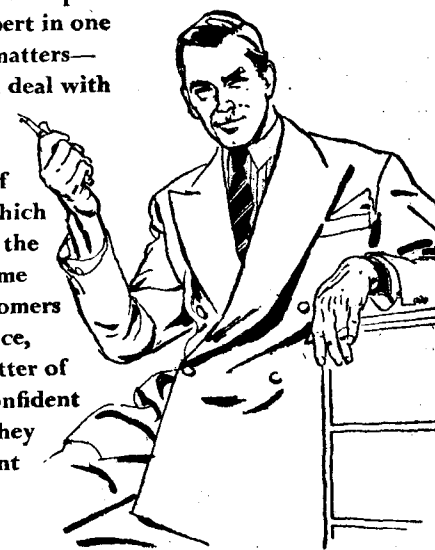
Established 1824
Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.

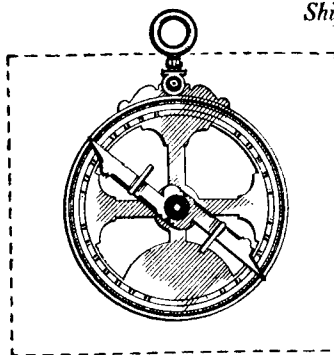
OUT OF YOUR GROUND

There are so many occasions when one realises how difficult it is to be well-informed on all the financial problems which arise in these complicated days. That is why our organisation includes a number of departments which are each expert in one or other of these matters—departments which deal with Foreign Exchange, which understand the complexities of Wills and Trusts, which will not get lost in the labyrinths of Income Tax and so on. Customers may, in consequence, bring to us any matter of this kind, in the confident expectation that they will receive efficient attention and sound advice.

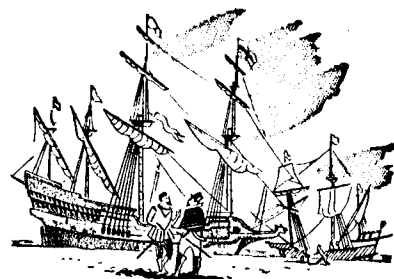


WESTMINSTER BANK LIMITED

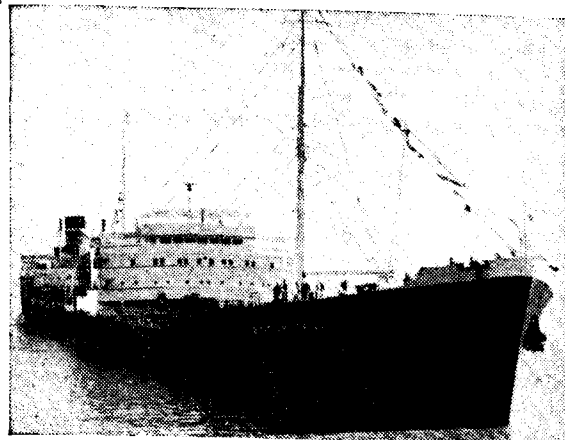
Ships of the first Elizabethan age relied on the
MARINER'S ASTROLABE



Probably the earliest form of instrument designed for taking altitudes at sea, the Mariner's Astrolabe was invented by Hipparchus in 160 B.C. Its later development is credited to a German, Martin Behaim, who produced one in 1480.



The astrolabe was simple to include among a ship's instruments, but less simple to use; *Cossor Marine Radar* is both simple to install and simple to use. It gives a crystal clear display at all ranges, in all weathers, and in all climates. It is quick, accurate, reliable, and easy to maintain. Cossor is not the cheapest marine radar, but the discerning buyer considers more than price alone. Is the performance good? The answer is that more and more owners are fitting Cossor Marine Radar to their ships, having satisfied themselves that it is the best marine radar in the world. Write for particulars today.



M.V. BRITISH SKILL, one of Britain's largest and most modern tankers, carries Cossor Marine Radar. Photograph by courtesy of B.T.C. Ltd.



... the modern
ship fits
C.M.R.

**MOST ADVANCED
NAVIGATIONAL AID
OF TODAY**

Please address enquiries to:—COSSOR RADAR LTD., DEPT. 1, COSSOR HOUSE, HIGHBURY, LONDON, N.5 Telephone: CA Nonbury 1234 (33 lines)

Bowden

World famous as originators of
**FLEXIBLE
WIRE CONTROL MECHANISMS**
for all purposes
and manufacturers of
FLEXIBLE HOSE UNITS
for jet and piston engine aircraft
and all hydraulics

Insist on Genuine Bowden Products

**Bowdenex Bowdenite
Bowdenflex**

BOWDEN (Engineers) LIMITED, LONDON, N.W.10

48-131

Nothing left to chance...



COPPER CLAD

To secure a gas tight seal at the point where the lead wires pass through the glass envelope of Royal "Ediswan" Lamps a special wire known as Copper-Clad is used. This seal must remain gas tight over the range of temperature from cold to the highest value which the lamp attains when alight.

Copper Clad, made by a very specialised technique, consists of two metals hermetically bonded in such proportions that they will expand and contract at the same rate as the glass. This property together with the specially prepared surface, ensures that a perfect metal-to-glass seal is made.

* This is but one example of the intricate operations in the manufacture of Royal "Ediswan" Lamps, calling for the highest degree of technical skill and the utmost care and precision. Nothing is left to chance—only the finest materials are used and there is strict control at each stage of manufacture.



ROYAL "EDISWAN" LAMPS

The Edison Swan Electric Co. Ltd., 155 Charing Cross Road, London, W.C.2
Member of the A.E.I. Group of Companies

THE BUSINESS WORLD

Shelter for Sugar's Cinderellas

AFTER six weeks of delicate negotiation, fifty-one countries that import or export sugar have reached agreement in London on a scheme to regulate the "free" world market in sugar. This "free" or "unprotected" market is the poor relation of the world sugar trade. Sugar is the most blatant present-day example of the international maldistribution of labour. Since it enjoys a high yield per acre, it can be produced most cheaply from cane in tropical (and often overpopulated) countries with low wage rates. But since it also enjoys a relatively inelastic demand (and takes up only a small part of weekly household budgets) most countries have found that they can put up prices to the consumer and protect domestic or other favoured producers without raising an undue public outcry.

For political, strategic and often more dubious reasons, governments have therefore for many years greatly expanded production from beet in temperate countries under the shelter of subsidies and other protective devices; they have also conceded widespread import preferences to overseas producers with whom they have a political affinity. Thus, two world markets have been created: the protected and mainly high-cost market, and the unprotected and mainly low-cost "free" market—and the latter's share of world production and world trade has progressively declined. Exports to the "free" market now amount to only about 5 million tons a year, out of annual world exports of some 12 million tons and of a world production of about 35 million tons. In other words, over half of total world exports, and not much less than six-sevenths of total world production, is now sold under discriminatory arrangements of one kind or another.

This habit of discrimination is world-wide. The largest importer, the United States, hardly comes into the free market at all. It takes virtually all its import

requirements under preferential arrangements with its favoured wards in Cuba, the Philippines, Puerto Rico and Hawaii. Britain, the second largest importer, takes well over 1 million tons of "free" sugar, but most of its requirements are now supplied by the Commonwealth, under the protection of preferences and of the Commonwealth Sugar Agreement of 1951. This agreement provided an assured market for Commonwealth sugar up to a maximum of 2,375,000 tons a year, the most that is likely to be produced for some years. Of this total, Britain undertook to buy 1,640,000 tons a year at a price that is negotiated each year and that is considerably higher than the "free" price; the remainder finds a market in Britain and Canada at the "free" price, but with producers getting the advantage of the preference. Other groups of countries, such as the French Union and Benelux, have similar protective arrangements outside the free market.

The free market, with which the new agreement is solely concerned, is thus the residual supplier, the market of last resort. In consequence, relatively moderate changes in demand on it can have violent effects on prices. The delegates at Church House in this past month—so far from trying to manoeuvre against low-cost producers, as most commodity conferences do—were actually labouring to keep them alive. The scheme they produced is an attempt to ameliorate—though only slightly—the balance of power between the unprotected low-cost market and the regulated preferential market. That must be its justification, so far as it goes.

There have been two previous attempts to come to the rescue of the unfortunates who sell in the free market, but neither was as broadly based as the agreement signed this week. The Chadbourne Agreement

of 1931 brought together only the main exporters to the free market, with the result that several exporters outside the agreement increased their output and their share of the free market at the signatory countries' expense. The 1937 agreement had a wider basis; it covered four of the main importers and most of the principal exporters, but its effective life was cut short by the war. The new agreement, if fully ratified, will cover nearly all the sizeable importing and exporting countries, including even Russia and three countries of the Soviet bloc. The United Nations, which called the conference, could not invite Red China (prospectively an expanding importer) and East Germany (an expanding exporter), but provision is made for non-participants to accede to the agreement if circumstances allow.

★

The central feature of the new agreement is that the International Sugar Council will, before the beginning of each calendar year, estimate net requirements on the free market in the ensuing twelve months; they will be helped in this by information from importing countries about their prospective purchases from non-members (which, the importers have promised, will not rise above the level of 1951-53). In the light of its estimate, the council will then assign export quotas to the various free producers; these will be expressed as a proportion of their basic quotas, which are summarised in the accompanying table. Exporters undertake to export no more and no less than their permitted quotas. Any changes that are notified to the council (in the course of a calendar year) in an importer's requirements from non-members and in an exporter's ability to fulfil his export quota, will be redistributed among the other exporters *pro rata*. Exporters also undertake to adjust their production to the needs of domestic consumption, permitted exports and a specified level of stocks.

The agreement establishes a "stabilisation zone" for prices, with an upper limit of 4.35 US cents per lb, f.a.s. Cuban port, and a lower limit of 3.25 cents. The council—and this is a departure from the draft initially before the conference—will have the power to raise or lower export quotas while prices are still within this range; and it will be obliged to do so if the price has averaged more or less than the maximum or minimum for fifteen consecutive market days. In that case it must take action within ten days. If it cannot agree on the amount by which the quotas should be adjusted, they will automatically be reduced each time by 5 per cent of the basic quotas when prices drop below the minimum or raised by 7½ per cent when they go above the maximum. These provisions will probably have an important effect on market sentiment. When the price threatens to go above the maximum, buyers may tend to hold off the market, and sellers may hold off when the price seems likely to

fall below the minimum. This, in itself, should provide a stabilising factor, but the executive committee of the council will obviously need to show considerable market acumen.

In view of this need, it is a pity that the conference has decreed that the decisions of the committee should be subject to a vote; this may encourage members to feel and vote as if they are representing the interests of their particular countries, instead of acting as a cabinet of technicians collectively responsible for their decisions. It is also unfortunate that the total of the basic export quotas (5,390,000 tons) should be at least 500,000 tons higher than the probable requirements of the free market in 1954. This means that the agreement, if ratified, will start with the actual export quotas scaled down that much below the basic quotas; indeed, if the winds of the trade cycle blow, this could be the first rock on which the agreement might be in danger of foundering, since the council is not allowed to reduce actual quotas below 80 per cent of the basic quotas (that is, below a total of 4,320,000 tons). This problem has arisen, of course, because the basic quotas

PRINCIPAL EXPORTERS OF SUGAR

Countries	Approximate exports in 1951/52 (tons)		Basic quotas under new agreement
	Preferential Markets	Free Market	
Cuba	2,816,000	2,363,000	2,225,000
Dominican Republic ..	...	524,000	600,000
Formosa	...	450,000	600,000
Peru	...	304,000	280,000
Indonesia	...	7,000*	250,000
Philippines	636,000	100,000	25,000
British Colonies	1,391,000	...	...
Australia & S. Africa ..	116,000†	...	...
Others	2,041,000	1,252,000	1,410,000
TOTAL	7,000,000	5,000,000	5,390,000

* Indonesia exported over 1,000,000 tons in 1937/40. † Annual average exports from Australia and South Africa in 1949/51 were 456,000 tons.

originally asked for by each member were so excessive; the conference had a hard task to bring them even within the present measurable distance of reality.

Normally, at a conference of this type, there would have been a straight fight on the level of the proposed price zone, with exporters clamouring for a high price and importers for a low one. But nothing is normal in sugar. The largest importer, the United States, apparently tended to look at prices from an exporter's point of view throughout the conference; it feared that a low price in the free market would provoke pressure from its domestic consumers against its high support price for domestic production. Britain was in two minds. As the second largest importer, it is naturally interested in a low price for that part of its requirements that is supplied either direct from the free market or from the Commonwealth at the free market price. But since the politics of colonial welfare and development are

inextricably intertwined with the Commonwealth Sugar Agreement, it was in no position to clamour for a low price. Cuba, the largest exporter and a low-cost producer, sells roughly half its exports to the United States at a preferential price, and so is able to offer the rest in the free market at a price that, if necessary, could undercut practically every other producer; Cuba realised that a price high enough to encourage exports from marginal producers would increase competition in the free market and therefore be against its interests.

The negotiations about the stabilised zone were eased by this lack of rigid individual self-interests. In the end, the mid-point of the agreed zone, at 3.80 cents, is moderately below last year's average of 4.16 cents in the free market, but moderately above this year's average of 3.50 cents. If, as is quite possible, the free price tends to fall persistently below the minimum despite downward adjustments in export quotas, it will not be surprising if the zone itself is lowered to prevent further cuts in quotas. After a certain stage, most exporters would probably prefer a lower price to further severe restrictions on exports.

The biggest disappointment of the conference was that it had to discard as politically impracticable the section of the draft agreement that would have guaran-

Finance by Bills

IN the postwar revival of the traditional functions of the City, one of the most vigorous growths was that of commercial financing by bill of exchange. It was also one of the least expected. The bill reached its zenith in overseas trade in the boom of 1928-29, but was then struck a crippling blow by the world slump. Its struggle to get on its feet again during the trade recovery of the thirties made little progress under the weight of economic nationalism and bilateral trading. By the eve of the war, in spite of some moderately successful efforts to revive in modern guise the even earlier habit of using bills in internal finance, London's bill business was only a fraction of what it had been a decade before. Then, during the war itself, both types of bill finance virtually ceased, leading many people to suppose that they might never again play any really significant part. In fact they began to come into use again almost as soon as hostilities ceased, and within four years the total in the London market had probably surpassed its prewar money value. The re-opening of some commodity markets and the post-Korean boom then produced a much accelerated growth, so that by the spring of last year the money worth of London's bill turnover was not so very much below the high figures recorded in the very different conditions (but also very different pounds) of a quarter of a century ago.

ted exporters to the free market a share in any expansion of world consumption—at the expense of still more increases in the cushioned section of the trade. Low cost producers who do not enjoy preferential arrangements with any of the big importers must now pin what hopes they can to pious platitudes in the agreement that require participating governments to limit subsidies and reduce "disproportionate" burdens on sugar resulting from fiscal and other policies. These articles, incidentally, and those limiting production and stocks, will not be observed by Russia and the Soviet bloc countries, on the grounds that they have "full-scale planned economies."

The agreement is for five years, but it will be reviewed after three. Providing a sufficient number of governments ratify it, or give assurance of ratification, it will come into full effect on January 1, 1954. Those who are opposed to restrictive agreements in any field will no doubt shed a tear that the Cinderella section of the sugar trade is getting up to some of her ugly sisters' tricks. But the agreement is at least reasonably flexible, and liberal criticism should be directed not at the pact itself but at the rabbit warren of preferences and protectionism that has made it necessary to bring it into action.

Now, however, the market looks back upon a phase of dramatic reversal of this advance. In the past eighteen months the volume of business in commercial bills has contracted by perhaps 40 to 50 per cent. The very success of the earlier revival makes the City institutions most intimately concerned—the accepting houses and the discount houses—the more chagrined by this loss of business, and some of them are disposed to blame the monetary authorities for part of it. The basic rate at which the money market and the joint stock banks will discount first-class bank paper is still a pegged rate, and it is being suggested that the authorities are throttling bill finance by keeping this rate anomalously high. The case is not yet proven—indeed, a number of the houses concerned are noticeably less ready to sponsor it than those who have been most outspoken. But there is no doubt at all that a sufficient anomaly exists in the rate structure to merit examination.

Unfortunately, this is not a problem that can be resolved by objective statistical tests. The only comprehensive statistics of the bill supply are those that may be computed, subject to a moderate margin of error, from the Inland Revenue's annual receipts from bill stamps—which are not yet disclosed for any later period than the twelve months to March, 1952. A computation made regularly on these lines by one of

the discount houses, Jessel, Toynbee & Co., shows that the total of bills stamped in the United Kingdom in that year reached £575 million, precisely the same level as in 1929-30; this compares with the all-time peak of £738 million touched in 1928-29, and with a nadir of a mere £42 million in 1944-45. These calculations do not yet measure the recent decline; but in any case they embrace large quantities of paper that do not enter the market or are not "marketable" in any real sense. The present debate focuses upon first-class paper that is discountable at prime rates, and the volume of this can only be guessed—from the partial evidence afforded by the portfolios of the clearing banks (not shown separately before November, 1951) and the "rediscount" figures of the nine discount companies that publish accounts.

These figures strikingly reveal the loss of bill business sustained by the banks and the market. The clearing banks' portfolio, after reaching a peak of £187 million in February, 1952, dropped in the ensuing nine months to only £57 million, and after recovering to £71 million this spring, relapsed to £61 million by July. Similarly, the aggregate rediscounts of the discount houses (i.e. commercial bills re-sold but still outstanding) at their several latest accounting dates, ranging from September to April, stood at only £57 million, compared with a peak figure of £122 million shown in the 1951-52 batch of accounts. From this evidence, the volume of prime paper held or re-sold by the discount market as a whole may be roughly estimated at around £100 million at mid-1948, probably more than twice that amount at the peak early last year and under rather than over £100 million now. The total volume available to the clearing banks and the market would be rather larger at each point, because some bills reach the banks through channels other than the discount houses.

★

The major causes of this decline are beyond dispute. They are the collapse of the post-Korean boom in commodity prices; the drastic import restrictions imposed in 1951-52 by Britain and the overseas sterling area and by many non-sterling countries; and the special restraints imposed by the Bank of England early last year to stop foreigners from using the bill facilities of the London market as a means of speculating against sterling. Each of these major factors sharply cut down the value or volume of newly created bills. It is impossible to determine, however, whether they together accounted for an overwhelming, or merely a large, proportion of the loss of business experienced by the discount market. And that is the very point upon which the present discussion fastens. It is contended that the money market is not only suffering from the shrinkage in demand for finance, but is getting a smaller share of such business as is offering. The

Eastern and certain other banks in London that are traditionally major suppliers of overseas paper to the market are themselves choosing to retain a larger proportion in their own portfolios; some domestic business that has in recent years been financed by acceptance credit and discount of bills is now being financed by bank overdraft; and some overseas business—including some purely international finance—that was coming to the London acceptance and discount markets is now being arranged abroad. In each of these diversions of business, the present cost of bill finance in London has undoubtedly been a material factor. But it has not necessarily been a decisive one, except, in the sphere of domestic finance, in competition with bank overdrafts.

★

Since the raising of Bank rate to 4 per cent in March, 1952, the pegged rate at which the banks and discount houses will discount three months prime bank bills has been 3 per cent per annum. This means that even the most creditworthy of domestic borrowers, who might reckon upon borrowing from their bankers at $4\frac{1}{2}$ per cent, are unlikely to be able to secure bill finance at a total cost of much less than $4\frac{3}{4}$ per cent; the charge for the acceptance facility would only very rarely be less than $1\frac{1}{2}$ per cent. per annum and the bill stamp is equivalent on a three months bill to 0.2 per cent per annum. For less credit-worthy business the cost is of course higher than this, whichever method of finance is adopted; but at each level the bank overdraft is probably now the more advantageous—at least when account is taken of its flexibility, which permits the borrower to take and pay for funds, within the sanctioned limits, in such amounts and for such periods as his whole finances dictate, instead of committing himself to the full amount for a rigid period.

London bill finance for the overseas commercial borrower is probably usually somewhat more expensive than for domestic borrowers, for although the agreed minimum acceptance fee is only 1.2 per cent per annum plus a small charge for opening the credit, those are the charges made to the foreign banker, who in turn will make his own charge to the commercial borrower; and the cost of the overseas bill stamp has to be added to that of the London stamp. But overseas charges and practice vary widely, so that it is not easy to make precise comparisons between the total costs to the ultimate overseas borrower of financing through London or of securing finance in his own centre or in some other international market. In some instances it appears that London still has the advantage, but there are other centres, notably Amsterdam, where finer terms are quoted; an important share of the expanding German business is believed to be going to Holland. Market opinions diverge widely, however, about the extent of any resultant loss. The financing of much overseas business conforms to the channels of trade or to long-established connections, and is not really open

for competition in the international market. In any case, it is not easy to distinguish the effects of the cost factor from those of the measures to prevent the use of bill finance for speculative purposes, and in many quarters it is thought that London's loss of legitimate business may have been quite small.

A similar argument can, indeed, also be applied to the diversion of business to bank advances. Until the middle of 1951, the effect of the cheap money policy was to keep the cost of bill finance substantially below that of bank advances. Though the margin tended to shrink, this cheapness of bill finance played a big part in the postwar revival, since the supply of bills was inflated by the financing of types of business that had previously been financed by other means and did not conform to the purist tradition of the self-liquidating bill. Much of this unorthodox bill business, whether of domestic or external origin, has now reverted to its former channels, or has disappeared from the London market altogether.

★

For these several reasons, those who contend for a lower commercial bill rate may not find it easy to produce a clear-cut demonstration that the present rate is causing either a significant loss of worth-while international business or an undue switch to bank advances. They can, however, point to one unmistakable anomaly. The risk status of a three-months' acceptance of a London bank or first-class accepting house is not so different from that of a British Treasury bill that it deserves to stand at more than a fractional discount. Indeed, at one time the "two-name" commercial bill regularly commanded a slight premium over the (one-name) Treasury bill. During the thirties and throughout the war and early postwar years, this virtual identity of risk status gave to the commercial bill the full advantages that the cheap money policy extended to the Treasury as borrower. For many years the prime commercial bill rate was a bare one thirty-second per cent above the Treasury bill rate of 1 or $\frac{1}{2}$ per cent. But the problem raised by this anomalous cheapness of commercial bill finance by comparison with other commercial rates eventually called forth an equally anomalous solution. Concerted action by the discount houses levered up the margin by small steps, and then, in mid-1951, the banks and the market agreed, in the interests of their revenues, not to buy 3 months' commercial bills at any rate below 1 per cent—or virtually twice the rate then commanded by Treasury bills.

The present 3 per cent rate, though it now aggrieves some people in the market, followed logically from this market initiative taken in the days of Gaitskellian cheap money. Under the new monetary policy, the amount of each increase in Bank rate has been added to the pegged commercial rate. In consequence, the abnormal margin over the Treasury bill rate (now pivoting around $2\frac{3}{8}$ per cent) has been increased,

though not very violently; as a proportion of the rate, it has of course been sharply reduced.

Now that the authorities profess to be aiming at a flexible monetary policy and especially a flexible money market, the fact that this particular anomaly is of the market's own making ought not, however, to be held against it in any plea for a more sensible arrangement. Indeed, the market-created anomaly was really only its way of living tolerably with the Government-created anomaly of cheap money; and now that the primary anomaly is disappearing, there ought, in logic, to be no need for the secondary one. Unfortunately, however, the authorities still hope to get the best of both worlds; they have raised the general level of rates, but have been at pains to combine the maximum increase in charges to private borrowers with the minimum increase to the Treasury. The anomaly of the margin between the commercial bill rate and the Treasury bill rate is not necessarily or only that the former is too high; it may also be that the latter is too low. If the new monetary policy is to be given the chance to function really effectively as an economic regulator, the remedy for this money market problem is plainly to allow both rates a greater flexibility. No doubt that would produce some fall in the commercial rate, for some "outside" business is believed to have been done already at under 3 per cent. But if the movement went too far for the comfort of sterling, the proper course then would be to discipline the market by the traditional methods of the Bank of England—not excluding the tradition of the influential "hint." But the authorities show no sign of being prepared for any such genuine flexibility. The supply of Treasury bills is incomparably larger than that of commercial bills; and they are obviously afraid that in a flexible market the tail would wag the dog.

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).

Subscriptions and enquiries (marked "Prices") should be sent to:

**THE ECONOMIST INTELLIGENCE UNIT,
22 Ryder Street, St. James's, London, S.W.1.**

Business Notes

Douglas in Detail

THE most important feature of Mr Lewis Douglas's admirably crisp and short-winded report to President Eisenhower lies not so much in its enlightened liberalism—for this was to be expected from a statesman of his reputation—as in its emphasis of the dangers of the present prolonged period of gestation of ideas. After saying all the right things about the advantages for America of sterling convertibility, and about the need for the abandonment of America's protectionist policies, Mr Douglas recognises flatly that "under the most favourable circumstances time would be required to pass legislation aimed at establishing a freer American trade policy. It would be unfortunate, however, for our national interests if, because of delay on our part, the progress towards economic liberty that has thus far been made should be arrested, the enthusiasm should cool off, and the impetus to freedom should falter."

The most specific sections of his report, therefore, contain proposals for mitigating the dangers of such a "cooling-off" period. First, Mr Douglas believes that "the United States Government, during the interval in which legislation is being awaited, could do nothing more helpful, or indeed more urgently required, than to make a prompt announcement that it is the determined policy of this country to work towards simplification of our customs practices and a progressive, vigorous and consistent relaxation of our restrictive foreign trade legislation." Secondly, he believes that the American Government should focus its "ingenuity on valid devices which might provide a reasonable transition from a period in which American dollars, through public agencies, have been invested overseas and the period when the flow of private capital becomes adequate." Two organisations that might be of use here are the World Bank ("the provisions of the indenture of an International Bank loan, more than the amount of credit which it extends, can define the terms upon which investments of private funds might be made with reasonable immunity against most of the political hazards") and the Commonwealth Development Corporation in London. Another specific device that Mr Douglas believes merits examination would be "the participation of American banking houses in sterling loans made by London banks with some sort of British guarantee of a rate of exchange and an Export-Import Bank guarantee of the transferability of the participating dollars." Finally, Mr Douglas calls for some measure of stabilisation of raw material prices; he urges "co-ordination between governments, so that purchases by public agencies may be diminished when the business community is building up inventory, and increased when the business community is liquidating inventory."

Britain and the Report

ALL this does as much as any single report could possibly do to set the stage for America's coming debate on its foreign economic policy in the right atmosphere of measured hurry. But the report also makes two other points crystal clear. The first is that there can now be no question of a dash for sterling convertibility; but only the hope, in Mr Douglas's words, of progress towards "an environment of world trade in which convertibility, at the appropriate time, could be safely considered with confidence that it would endure." There is no mention in the Douglas report of any measures that might tempt Britain into a dash for convertibility—such as an increase in the dollar price of gold, or a stabilisation loan, or an all-round increase in quotas at the International Monetary Fund. These omissions should not be read as a reflection upon Mr Douglas's liberalism but as a tribute to his experience as a diplomat. He knows the limits of the politically possible, and how far liberalism is wise to raise its flag above the trenches in the present sniping season.

★

The second point, which follows from this, is that it is useless to count the heads of protectionists and free traders among the commission to which President Eisenhower has now transmitted this report. There could be no question of sweeping changes in American policy as a result, for example, of a favourable majority and an unfavourable minority report from this commission—which is due to finish its deliberations by March, 1954. Any such conflict of reports would merely lead to interminable delay. The only hope lies in an agreed report, and the furthest limits to which specific proposals might conceivably reach in such an agreed report would be those enunciated in Mr Douglas's draft. The implications for the British Government are that it should now strive to publicise specific schemes for giving effect to Mr Douglas's rather vague musings on investment guarantees and stabilised purchases of raw materials; and that it should take note of his advice that "it is for the British Government to devise its own further corrective measures" if the advance to convertibility is to proceed. In this context, Mr Douglas puts his finger on Britain's main source of weakness since the war when he complains, at the head of a long list, of "the weakening of UK competitive power resulting from the existence of sellers' market conditions and opportunities for protected trade financed by repayment of sterling debts." Easy markets in the overseas dominions, much more than internal inflation, have been the locusts that have eaten away progress towards convertibility in the eight years since the war.

Rockets in the Air

THE Ministry of Supply has clearly felt that Britain ought not to be outshone in the latest round of the competition in news-releases of weapon successes. The Minister himself released last week a most colourful report on British rocket development. Mr Sandys described very briefly the uncanny and unquestioned ability of guided missiles to "home" on to their target however it manoeuvres to avoid them, the implication being that these new defensive weapons were the answer to the atom bomber. He did not, however, commit himself beyond saying that such missiles were under development. Certainly they have been successfully tested on the Australian Woomera rocket range against pilotless jet aircraft (Armstrong-Siddeley has designed a special range of jet engines for this purpose), but the fact remains that it will be some time before these weapons are in service.

The homing mechanism for these missiles, which consists of radar or television to track the target, and a computer to calculate the missile's course from this data and steer the rocket on to the target, cannot discriminate and can easily be deceived or put off the scent. Too many aircraft in the air at once can confuse the missile by sending its "brain" in a very human state of dither while trying to digest conflicting signals. Jamming devices were already known in the last war, and modern techniques are highly effective. Lastly, the missiles cannot distinguish between friendly and enemy aircraft, and a comprehensive defence based on ground-to-air missiles would create a special hazard for fighter pilots. It is more likely that the first guided missiles to go into service will be released from fighters when these are sufficiently close to the bomber to avoid confusion, and fighters of high performance are therefore a vital part of this defensive pattern.

★

Hardly a major aircraft manufacturer is not engaged in developing guided missiles, and hardly an electronics laboratory of standing is not concerned in some way with their internal mechanisms. Designers are confident that over short ranges they can promise the forces a high degree of accuracy, always provided that the signals to the missile are not jammed; but the accuracy of longer-range missiles still leaves much to be desired. Not until the nineteen-sixties are guided missiles likely to become the major weapon, but a gradual switch from conventional artillery, and armaments, is already under way. As a production proposition, the rocket is cheaper than the aircraft; its motor is a crude piece of ironmongery compared with the jewelled precision of a jet engine, and its casing is less complex to design. But compared with ground artillery or fighter-borne cannon, the cost is high. The development of missiles may thus produce shifts of emphasis within the engineering and the chemical industries. Present rockets use chemical fuels in fabulous quantities, and the development of plastic casings, hinted at by Mr Sandys, would make exceptionally heavy calls on chemical capacity. So long as a fighter aircraft is needed to carry the missile to its target, defence costs would seem likely to rise rather than fall. Only when the missile can replace the aircraft completely can it be expected to cut the costs of defence.

The Increase in Exports

THE full trade returns for July have thrown more light on last month's sharp increase in British exports, to £234.4 million compared with £204.0 million in June and with a monthly average of £210.0 million in the second quarter of this year. The greater part of this increase was due to the unusually large number of working days in July (27 days, compared with 24 in June), and it was centred almost wholly on a rise in the export of manufactured products; compared with the monthly average in the second quarter of this year, the shipment of engineering products in July rose by £7 million (including a rise of £4 million in vehicle exports), textiles by £5 million, metals by £3 million and other manufactures by £6 million. More significant still, the increase reflected a swift response to the partial relaxation of import restrictions by Australia; British exports to that country were about £21½ million in July, compared with £17½ million in June and with £9.3 million in July, 1952. This may merely reflect the first flush of enthusiasm now that some barriers to trade have been removed, but it is noteworthy that total exports to Australia this July were nearly as high as those in July, 1951, and that within these totals the exports of machinery and vehicles were actually higher. The argument that over-importing by Australia sucks away resources that should be devoted to producing capital goods for harder currency markets may be due for revival soon.

Imports in July totalled £293 million (c.i.f.); this is only £1 million more than in June, but it is £11 million higher than the monthly average in the first half of this year. The seasonal decline in imports of dairy produce, fresh fruit and vegetables in July was more than offset by an unusually large increase in imports of wheat, barley and of unrefined sugar. There was little change in imports of industrial raw materials in July, the seasonal fall in wool imports being balanced by larger imports of timber, iron ore and scrap. These changes meant that an increase in hard currency imports in July much more than offset a fall in imports from Commonwealth countries.

The Board of Trade's composite index of import prices (1952=100) was unchanged in July at 87, although the price index of manufactured imports rose by a point to 86. Similarly, the composite index of export prices was unaltered at 96, in spite of a fall of a point in the price index of manufactured exports to 96. For the third successive month, therefore, the ratio of import prices to export prices remained unchanged at 91 per cent of the 1952 average. This year's improvement of 9 per cent in the terms of trade must have generated an increase of over £300 million in the current annual rate of Britain's real income; but it seems likely that this windfall gain over the average for 1952 is temporarily stabilising at around this level.

Shadow of Abadan

DR MOSSADEGH did not manage to sell much Persian crude oil during the four months that he was offering it, for dollars, at half the world price—partly because the Anglo-Iranian Oil Company disputed the legality of pur-

chases from Persia and took his Italian and Japanese customers to court. The withdrawal of this dubious proposition by his successor and the reported desire of the Shah to "re-examine the World Bank proposals" may smooth the way towards resumption of negotiations about Persia's oil nationalisation. But the return of Abadan's refined products and of Persian crude to the world market, whatever the diplomatic tempo, could not be hurried.

The technical condition of the oil wells and the refinery, which has not operated since late 1950, is not known; but it would inevitably take some time to make good deferred maintenance before the plant could be brought into operation again. Moreover, the refinery is 2½ years nearer obsolescence, a significant period in the oil industry. But commercial considerations, rather than technical, would probably determine the pace at which Persian oil might be reintroduced into world trade if diplomacy were successful. The recent rise in the price of crude oil, and the consequent raising of prices for many refined products arose from the pressure of costs upon American crude producers, although the market for many refined products in the United States was already rather soft, with stocks at high levels. In the Middle East, where the American rise in price was eventually paralleled, production of crude oil was already somewhat in excess of demand, with the shadow of Persia's potential 30 million tons a year overhanging the market. Even the loss of the great refinery at Abadan had been largely made up during its two and a half years of idleness by the faster development of other refinery projects, the expansion of existing plant, and the operation of certain units to give exceptionally high yields.

Moreover, supplies of oil to Abadan's bereft customers throughout the world had been restored by considerable alterations in the pattern of the world oil trade. These were carried out by agreement among the major oil companies (the American companies indeed obtaining special anti-trust dispensations to co-operate). The period of readjustment overlapped one of a decline in the rate of growth of world petroleum consumption, which indeed made easier the measures to restore world supplies. Though the rate of growth may soon again be picking up—in Britain, for example, it recovered in the first six months of this year—Persian output would still have to be brought back into the world market gradually. Should restoration become possible, the return of this crude oil and refined products would have varied effects upon the economics of different parts of the industry—as will be seen from a later note, the loss of Abadan cost Britain dear and was of some benefit, in dollars, to other European refiners. But the long-term trend of oil consumption in the world is such that it could almost inevitably absorb Persia's restored output in a comparatively few years.

European Refining Prospects

ONE of the expedients adopted by the international oil companies after the Abadan refinery was closed was to operate the new refineries in Western Europe almost to the limit of capacity, in order to supply markets not only in Europe but elsewhere. Obsolete units were retained in service, the maximum yield was obtained from new plant, and cracking plant was used in parallel with regular distilla-

tion units to distil crude oil. The expedient was successful. The European refineries, besides satisfying an increasing proportion of the growing demand for petroleum products in Europe, were able to increase their total exports to a level much higher than had been expected (some 7.3 million tons in 1951-52), and to send a large volume of these exports to markets east of Suez, normally supplied from the Middle East (nearly 2 million tons in the second half of 1951 and some 4 million tons in 1952).

But the emergency operation was also, inevitably, costly. Some of the refining plant had to be operated in a way that would not have been economic in ordinary conditions; moreover, the loss of Abadan interrupted and complicated the steady reduction in the dollar costs of oil for Western Europe that had been planned, largely at the expense of Britain. The planned reduction in purchases of "dollar" crude and refined products, which was broadly fulfilled up to mid-1951, was replaced by an increased volume of imports in the next 18 months. The dollar cost of oil to markets normally supplied with Iranian oil rose after the loss of Abadan until alternative supply arrangements could be brought into force; most of the dollar burden of this increase was borne by Britain. The more rapid expansion of refinery throughput in Europe also involved additional costs, partly in foreign currency. But imports of refined products were reduced and exports increased; broadly, as a recent OEEC report on European repricing pointed out,

the effect of the Iranian crisis on the major European refining countries, other than the United Kingdom, was not unfavourable.

Any return of Persian oil and the Abadan refinery to the world trade, however carefully dovetailed into a recovering market, might bring the economics of some refinery locations in Europe into question. But that question, Abadan or not, may well have to be asked in the next few years.

Liabilities of Air Lines

IT is not generally known that the financial liability of the airlines to their passengers is limited—in the opinion of many, too stringently limited—by international convention. A possible revision of the terms of this convention is now under discussion by the International Civil Aviation Organisation, a branch of the United Nations. In 1929, the major airline operating countries signed the Warsaw Convention, which laid down two important principles. The first was that a passenger could hardly be expected to judge for himself the degree to which the cause of any accident could be attributed to negligence by the company or to outside circumstances. For this reason, when there is a fatal accident, or an injury to passengers or baggage, the airline is assumed to have been negligent in some way, and so liable to pay compensation, unless it can prove to the satisfaction of the courts that no negligence was involved—which, in the circumstances of an air accident, it is usually almost impossible for it to demonstrate. In the great majority of air accidents, the airline automatically accepts liability.

The convention, however, having insisted on this safeguard for passengers, then proceeded to limit the airlines' liability. The maximum to be paid out on the death of a passenger is 8,291 American dollars, or roughly £3,000. This seems a grossly constrictive limit—especially when

MOULDY ROT



"MOULDY ROT" is a fungus disease that attacks the rubber tree and restricts its yield of latex—the substance from which rubber is produced. Growing on the tree where it is cut for tapping, this fungus has caused irreparable damage on plantations in Malaya, for it spreads rapidly and the fungicides used against it in the past did not always control the disease effectively. Working on the problem in 1946, the Rubber Research Institute of Malaya invited I.C.I. to collaborate in developing certain newly discovered organic compounds with fungicidal properties. I.C.I. Dyestuffs Division accordingly produced a number of experimental samples which were tested in the Hawthorndale laboratories of the company's agricultural research station at Jealott's Hill in Berkshire, and then sent out to Malaya. In comprehensive field trials carried out by the Rubber Research Institute, one of these fungicides—subsequently named "Fylomac" 90—proved entirely effective in controlling mouldy rot disease. Easily applied by spray and containing a violet dye to mark trees that have been treated, "Fylomac" 90 is now widely used in Malaya—the largest rubber-producing and dollar earning country in the British Commonwealth.



INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Subscribers:

The English and Scottish Banks

I.C.F.C. is ready to consider the requirements of any industrial or commercial enterprise which is established in Great Britain.

The Corporation entertains proposals for additional capital—either for the purchase of additional buildings, plant and machinery, or for financing the expansion of business and carrying increased stocks and debtors. It is also prepared to consider more general schemes of expansion, including the financing of new ventures which are soundly sponsored and backed.

It provides capital both in the form of share capital and medium or long term loans—generally in amounts ranging between £5,000 and £200,000.

London

7, Drapers' Gardens, E.C.2

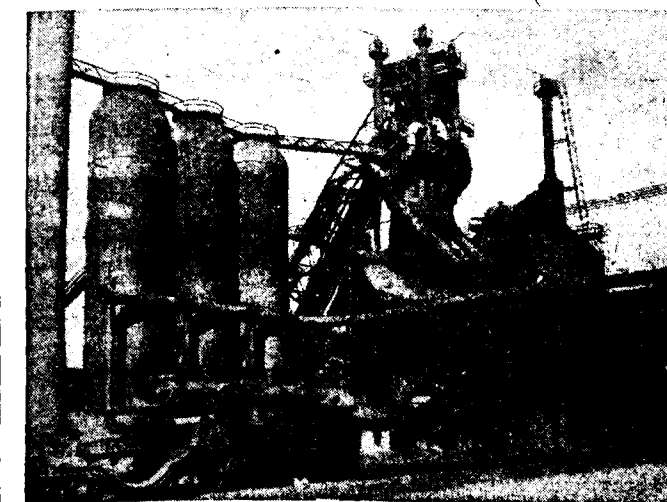
Birmingham

Manchester

214, Hagley Road, India House, Whitworth Street
Edgbaston

Edinburgh

33, Charlotte Square



Another phase of

AUSTRALIAN DEVELOPMENT

Australia produces the world's cheapest steel. Production reached 1,500,000 tons in 1951-52 and is increasing every year. Our Information Department will be glad to help if you are interested in the opportunity Australia offers.

The

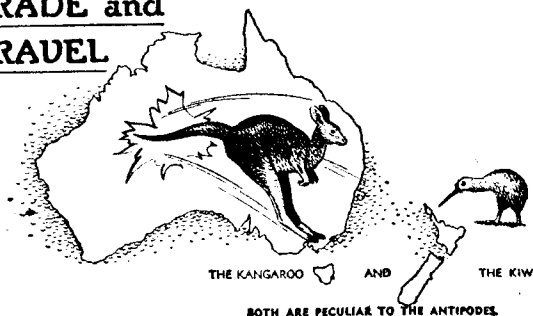
NATIONAL BANK OF AUSTRALASIA LIMITED

(Incorporated in Victoria)

London Office: 7 Lothbury, E.C.2

Other London Offices: Australia House, Strand, W.C.2 and 11a Albemarle Street, W.1
640 Offices in Australia Assets £229 Million

TRADE and TRAVEL



Whether your activities entail long distance travelling or concentrated investigations, we can assist you in AUSTRALIA and NEW ZEALAND

Our TRADE INTRODUCTION SERVICE and TRAVEL DEPARTMENTS will gladly:

1. Make a SURVEY to meet your trade requirements.
2. Prepare a suitable ITINERARY.
3. Book TRANSPORT by air, rail, road or sea.
4. Secure Hotel ACCOMMODATION.
5. Arrange business INTRODUCTIONS.
6. Issue TRAVELLERS CHEQUES and TRAVELLERS LETTERS OF CREDIT.

Inquiries welcomed either through your own Bankers or direct.

THE COMMERCIAL BANK OF AUSTRALIA LIMITED
(Incorporated in Victoria) Registered Office: 335 Collins Street, Melbourne.

PRINCIPAL OFFICES:

HEAD OFFICE: 335/9 Collins Street, MELBOURNE, VICTORIA.
LONDON OFFICE: 12 Old Jewry, LONDON, E.C.2, ENGLAND.
WELLINGTON OFFICE: 328-330 Lambton Quay, WELLINGTON, N.Z.
650 OTHER OFFICES

Finance and Eastern Trade

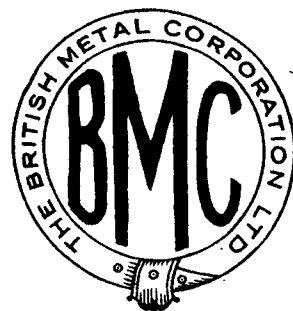
"Mercantile" service extends not only throughout India but also to every important trading centre in the East.

For sixty years the "Mercantile" has closely studied financial conditions in all Eastern markets. Its accumulated knowledge is at the disposal of British business houses interested in developing Eastern trade.

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15, Gracechurch Street, London, E.C.3.

INDIA—PAKISTAN—BURMA—CEYLON—MALAYA—
SINGAPORE—HONG KONG—CHINA—MAURITIUS—
THAILAND—JAPAN.



LONDON MONTREAL TORONTO VANCOUVER
SYDNEY PERTH MELBOURNE
CALCUTTA BOMBAY KARACHI LAHORE
JOHANNESBURG SALISBURY BULAWAYO

ASSOCIATES:

C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials, it provides coal-washing plant,

ventilation plant and other specialist engineering equipment: and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

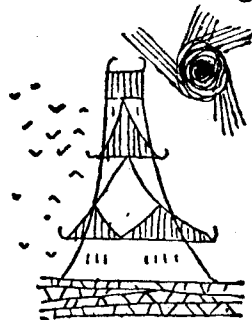
PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS:
Brimetacor, London.

CABLES:
Brimetacor, London.
Branches at BIRMINGHAM and SWANSEA

TELEPHONE:
MONarch 8055

If It's About
Japan—
SANWA BANK
(Authorized Foreign Exchange Bank)



Chairman of the Board
& President: TADA0 WATANABE
Capital: ¥2,500,000,000
Head Office: IMABASHI, OSAKA
Tokyo Office: GOFUKUBASHI, TOKYO
SAN FRANCISCO BRANCH:
465 CALIFORNIA STREET, SAN FRANCISCO
A complete network of 185 nationwide
branches and worldwide correspondents

considered in relation to the average earning capacity of air-lines passengers. Unless the liability is regulated by specific contract, as in travel by the airlines concerned, no limit to the liability of the carrier is recognised by English law. There is either full liability or none at all. Hence dependants of a passenger killed on surface transport may sometimes obtain much more substantial compensation than if the same person had been killed in an air accident.

The legal principles are, of course, by no means so simple as this broad summary might suggest, while there is the further complication that not all countries are signatories to the Warsaw convention, so that a flight to or from the non-signatory countries is not in every case governed by these rules. On such flights, the airlines are accustomed to insert in their conditions of carriage a clause disclaiming all liability whatsoever—though in practice the bigger airlines generally assume "moral" responsibility to pay compensation on the Warsaw scale should an accident occur. (Since the beginning of this year, British airlines have been bound by the convention on all their flights.) These facts are probably not widely appreciated by air travellers; the informed few have availed themselves freely of the slot-machine insurance offered by the big insurance companies at the airports, but the majority fly with no more than the limited protection given to them by a convention signed 24 years ago—or with such protection as they obtain from life or accident cover arranged for general or other purposes. Some airlines might like to see a revision of the clause that presumes negligence until it is disproved; but at least those signatory countries that enjoy a high standard of living are prepared to raise the maximum liability—perhaps to around £5,000. Poorer countries oppose any increase, but until the new draft convention is drawn up, it will be impossible to judge how the discussion will go. But it seems clear that even an increased limit of £5,000 would still leave the air traveller in an unfavourable position compared with the man who uses surface transport. It is difficult to see what grounds the airlines have, now that they are so anxious to become a major means of transport, for claiming this differential protection.

Shrinking State Haulage

As the road haulage vehicles owned by the Transport Commission begin to be sold this autumn, the Road Haulage Executive will enter a period of shrinkage which may or may not be protracted but will certainly be uncomfortable. At the end of last year the Commission owned just under 40,000 vehicles, though about 5,000 were not then in use; the new Road Haulage Disposal Board set up last May will have the task of selling about 35,000 of these. Eventually the Commission will be left with a fleet of about 5,000 vehicles, comparable to the numbers owned by the railways when they were nationalised; but in the meantime it will have the task of conducting a diminishing service and attempting to give its customers reasonable service with this.

The Commission has decided that from October 1st the responsibilities of the Road Haulage Executive will be taken over by a new undertaking using the existing name of British Road Services. This will manage the road haulage assets of the Commission, and has the further responsibility of assisting the formation and disposal of transport units

in accordance with the Transport Act. It will be directed by a Board of Management, to lead which the Commission has appointed Major-General G. N. Russell, present Chairman of the Road Haulage Executive, assisted by two other members of that Executive and its present Secretary as full-time members, and with two more members of the Executive as part-time members advising on special subjects.

A Census of Retailers

THE first detailed volume of the census of distribution that was taken in 1951—the first count of its kind in this country—was published this week. A shortened version that appeared at the beginning of the year was discussed in *The Economist* of January 24th. The new full volume breaks down these figures into towns and regions, and adds one important new category, the service trades, that was not included in the short report. Later in the year, the Board of Trade expects to publish two further volumes, one giving a more detailed analysis of retail trade on a national basis and the second covering wholesale trade.

The second and third volumes will complete the picture of retail distribution as it was in 1950. It was a year in which consumer goods were still scarce, with their prices and selling margins in many cases controlled by the Board of Trade, facts that will have to be borne in mind in making any future comparisons between the present census figures and later counts. Some salient features of this week's report are summarised in chart form on page 557. The figures themselves show that in addition to the 531,143 retail shops listed in the shortened version of the census, there were 153,621 additional establishments grouped under the heading of "service trades." These include cafés and restaurants, hairdressers, photographers, funeral parlours, repair shops, car dealers and garages. The total sales of the retail shops amounted to nearly £5,000 million, on which their gross margin—analogue to "net output" for a manufacturing industry in the Census of Production—was given in the earlier summary as about £1,100 million; and they employed nearly 2 million full-time and 454,000 part-time workers. The service trades had a turnover of just over £900 million and employed 605,351 whole-time and 133,762 part-time workers. No figure of "margin" or of "net output" has yet been given for these trades. As might be expected, wages and salaries in the service trades constitute a much larger proportion of total sales revenue than in the shops. The shops spent £392,070,000 in wages and salaries in 1950, which would be about 8 per cent of the total sales revenue of nearly £5,000 million; this labour cost amounted to about a third of the gross margin they retained on goods sold. The service trades had a wage bill of £126,932,000 to find out of £900 million, i.e., 14 per cent of their total revenue.

The Service Trades

THE catering trade was in 1950 by far the largest section of the service trades, numbering 66,562 separate establishments with a combined annual sale of £227 million.

These figures give an enlightening picture of British eating habits: the 26,901 unlicensed restaurants took £128.5 million, while the licensed restaurants—only 776 of them—had a turnover of £24,266,000. The second largest group of eating places was the 21,367 canteens, which took £84,303,000 in the year. Britain also boasted 17,126 fried fish shops, whose takings reached £33,417,000.

The second largest group were the hairdressers; 29,827 of them had a turnover of no more than £34,333,000. Another trade where the average turnover was not much more than a thousand a year was "repairing," mainly shoe repairing; the 22,527 repair shops had a turnover amounting to only £24,547,000. To the 3,404 funeral parlours, twelve months of funerals brought in £13,563,000; the 2,320 portrait photographers, on the other hand—including as many street photographers as the census takers could capture—could earn only £4,340,000 in the year. But these figures, as indeed the returns of most of the "service" trades, give only a partial picture of the volume of this kind of business. Catering, hairdressing, photography, repairs and even funeral services are all carried out by department stores, and sometimes even by the variety chains, and a big volume of the business done must in fact be concealed under the totals of £1,665,000 recorded for these types of shops.

Perhaps the most interesting data on any service group are those dealing with car sales and garages. There were 2,735 establishments engaged primarily in selling vehicles in 1950, and their turnover in a year amounted to £185,981,000. This was in a year when deliveries of vehicles to the home market was severely limited; it was the peak year for the industry's exports, with few new vehicles available at home. The sales figures include second-hand cars (at prices that were inflated by scarcity), commercial vehicles and a certain number of tractor sales. The second big group in the vehicle market is made up of 18,403 repairers and filling stations, though the compilers of the Census have obviously had difficulty in drawing the distinction: many dealers repair cars, and most repair garages sell some cars. These establishments had a total turnover of £317,392,000, or more than that of the car dealers proper, but these figures may include a fair proportion of new and used car sales. Of this group 11,531 are filling stations with and without facilities for carrying out repairs; their sales alone during the year came to £10,970,000.

The Miners' Autumn Task

MOST of the miners have finished their fortnight's holiday by now, and the coal industry is getting back towards full production—with a stiff task before it for the autumn. This is to raise coal stocks to a safe level for the winter, and since those stocks today are fully 2 million tons lower than a year ago and about 3 million tons lower than they ought to be at the end of October, it will not be easy. Despite the prophecies of a coal crisis this winter, the National Coal Board is not yet too pessimistic about the chance of building reasonably safe stocks.

The extra week's holiday for all miners and the Coronation have already lost the industry about 4.7 million tons,

and it is hoped in Hobart House that the total loss of output through longer holidays, by comparison with last year, should not be more than about 5 million tons. Deep-mined production last week, when holidays were calculated to be costing about 150,000 tons more coal than in the same week last year, was 3,958,000 tons, about 20,000 tons more than in that week of 1952. The Coal Board, therefore, believes that with the full complement of miners back at work, in a week or two, the industry ought to be able to produce something over 100,000 tons a week more this autumn than it did last. If it can, that extra tonnage may take care of the margins by which inland coal consumption, exports and bunkers may be expected to exceed the levels of autumn 1952; and the industry may be able to put into stock roughly as much coal as it did during September and October, 1952. In the last eleven weeks before the end of the 1952 coal summer, the industry put about 2 million tons of coal into distributed stocks—in merchants or consumers' hands—and added about 1½ million tons to its own holdings at collieries and opencast stocking grounds. This, roughly, would fill the NCB's autumn coal bill—offering perhaps 18 million tons, at any rate, in distributed stocks at the beginning of November. That would not quite satisfy the Fuel Minister's hope of 19 million tons in stock—but it is perhaps about the critical figure for an average winter.

The industry has still about 400,000 tons of large coals to import, and is continuing its combing out of large coal consumers in this country. The "programming" authorities of the Ministry of Fuel and Power, which control coal allocation, are examining deliveries of large coal to local authorities, gasworks, and railways; and these major consumers may eventually manage to release some large coals to domestic consumers and take other grades of coal themselves. So far this year domestic consumers have bought about 200,000 tons more house coal than by this time in 1952, but deliveries recently have been lower; moreover, the merchants' stocks are today nearly 400,000 tons, or 30 per cent, lower than at this time last year.

Chile Retreats on Copper

CHILE has at last abandoned its attempt to hold out for an f.o.b. price of 35.50 US cents per lb for its copper. By its previous obstinacy it has lost its European markets to Rhodesian and Belgian Congo producers, and a sizeable part of its major market in America as well. The fact that the big Chilean mines are owned by American companies will assist Chile to recover the ground lost in the United States, but it may have a harder task to make headway in Europe. Unless there is a strike in Rhodesia, world copper prices may continue to sag in increasingly competitive markets. Demand for copper in the United States is easing, and a good deal of American metal is being shipped to London. It is being sold here at the ruling London price of about 28 cents a lb (or £225 per ton) for cash metal; this is about 1½ cents below America's domestic price, to say nothing of the freight charges involved.

A major question for the market is whether Chile will succeed in selling its surplus of some 84,000 tons of copper to the American government for the strategic stockpile. It is believed to be offering this copper at

29 cents per lb, f.o.b.; but the Americans are moving cautiously and formal negotiations have not yet begun. If negotiations do begin, the Americans are likely to require assurances about commercial shipments from current production, and they may also ask Chile to mitigate its fiscal and other burdens on the American-owned mines.

Where Two Shifts Pay

THE Minister of Labour's marked enthusiasm for wide extension of the double day-shift system in British industry failed to communicate itself to the employers and trades unionists in his National Joint Advisory Council when he raised the matter with it early this year. Members of the Council thought a widespread and general extension of this method of working "neither practicable nor desirable"; but they recognised that it might be valuable in certain cases, and with their concurrence the Minister has now sent a memorandum to employers and unions in selected industries, drawing their attention to the circumstances in which the system might usefully be extended.

The double day-shift system usually raises the labour costs for a given output, on balance generally somewhat reduces overheads, and considerably saves capital costs, since it gets twice the output off a given machine or the same output with half the equipment. Unless much more labour could be recruited, of course, a factory designed for single-shift working that turned to double shifts would have to set against the better utilisation of its most productive plant the cost of leaving some other plant idle. But where a plant or an extension to it is laid out for double shift work from the beginning, some extra advantage in productivity will probably accrue from the fact that the equipment will be worn out nearer the time at which it becomes obsolescent. In general, the decision whether or not to adopt double-shifting will depend upon balancing considerations of cost, such as the relation of capital charges to labour costs; considerations of demand, such as might justify some increase in labour costs, without installing new plant, in order to expand production; and considerations of labour. In general, where people are on double shift work they seldom complain of its social effects; but the time-table of shopping, entertainment, and most social amenities in Britain is designed for people who work during the day, and undoubtedly any employee asked to change to double shift working suffers some inconvenience, though wages are usually higher, and the working week somewhat shorter. Double shift working is obviously no industrial panacea, but it could in some cases be of considerable value in enabling the most economical use of funds for new industrial investment.

Rising Car Output

THE motor industry began to expand car output when control of materials was finally lifted at the beginning of the year, and the process appears to be continuing

unchecked even during the holiday months. In June, production averaged 11,500 a week; by July, which is not usually a period of noticeable activity, it had risen to 13,200 a week. This compares with an average weekly rate of only 7,500 in July last year. In the first seven months of the year, the industry has produced 334,341 cars compared with 258,071 in the same period of 1952.

Exports for the year so far have not shown the same buoyancy, only 185,763 cars having been sent abroad in seven months compared with 209,467 in 1952. This fall in exports is to be seen in shipments of commercial vehicles and tractors as well as cars. The July trade returns show that the value of the industry's total exports, including spares, has reached only £156.6 million compared with £184 million by the same date last year; without a rise in the shipment of certain types of spare parts the totals would have been even lower. There are signs, however, that the industry's foreign sales are recovering. Since May, car exports have not fallen below 30,000 a month, and in July they rose to 32,000. Commercial vehicle exports are also rising, and reached 11,400 in July. In both cases these figures are higher than they were a year ago; the slump in the industry's export sales set in in mid-summer and appears, from the figures, to have taken the best part of a year to work itself out.

Less Tobacco

THE British tobacco industry will hardly be very perturbed by indications of a fall in the production of flue-cured tobacco in the main exporting countries this year. British purchases from the American crop are likely to be held down to the equivalent of only about eight months' normal requirements, costing some \$60 million. Unless the Treasury relents and approves a supplementary allocation the shortfall will again have to be made good from stocks. Spot purchases from the 1952 crop were limited to \$35 million, but another \$50 million is believed to have been authorised this year to fulfil options on that crop. Imports from the United States during the earlier months of 1953 were therefore abnormally high and the seasonal decline in stocks was moderated. Figures published by the Commonwealth Economic Committee show that Britain's imports of all types of tobacco from the United States in the season ending last June were 103.6 million lb, less than half the 217.8 million lb imported in 1951-52 and 39 million lb below the low level of 1950-51. Stocks of all unmanufactured tobaccos in Britain in June totalled 400 million lb, 52 million lb less than a year ago.

The total 1953 crop in the United States is estimated at 2,125 million lb, a decline of 130 million on the previous year. Production of flue-cured tobacco, the principal grade used for British cigarettes, is put at 1,320 million lb, a fall of 46 million lb. The production of flue-cured tobacco in Canada may not increase proportionately with the higher acreage, and in Southern Rhodesia the crop estimate has been reduced slightly to 103 million lb; this would be 4 million lb larger than the 1952 harvest, but its quality is disappointing. World production of Oriental leaf, on the other hand, is expected to increase substantially this season.

Argentina Courts Foreign Capital

PRESIDENT PERON seems to be trying to woo foreign capital by raising the terms of any new marriage settlements, while keeping investors who are already forcibly wedded to Argentina under their present state of duress. The new law that he has introduced—and, of course, had passed—in the Argentine congress seems to be aimed chiefly at investors from the United States: it follows the remarkable improvement in Argentine-American relations that was initiated by Dr Milton Eisenhower's recent visit to Buenos Aires. The wording of the new law is so vague that no action can be expected under it until detailed regulations are forthcoming, from the central bank. Briefly, however, it provides that, subject to the government's initial approval, new foreign capital (whether in cash or equipment) that is invested in mining or industry will be placed on a special register. Two years after this registration, profits of up to 8 per cent annually of the registered capital may be transferred abroad; eight years later the original capital and capitalised profits can also be repatriated in annual instalments, at a rate of either 10 or 20 per cent as the Argentine government thinks fit. Existing investments in Argentina are still permitted transfers of profits only up to 5 per cent of registered capital—and even this permission has sometimes seemed to be part of Argentina's legal theory rather than of the exchange control practice of its central bank.

Without the help of foreign capital President Peron's "second five year plan"—whose inception has recently been postponed for the second time—would be likely to run on the rocks. Since any appeal for a direct loan from the

United States would be damaging to political prestige—even if it were accepted, which is not likely—Argentina is now struggling hard to enlist the support of private capitalists in the United States. In particular, it hopes to attract foreign capital into its infant oil industry—and only oil magnates are being treated with quite effusive hospitality. The main hope of British investors must be that, in this new atmosphere, the Argentine Government will some day have to realise that very few foreign capitalists are likely to be willing to invest new funds in their country while existing investments are treated as shabbily as they are today.

SHORTER NOTES

Last Wednesday's Bank return showed that the fiduciary issue had been reduced by £50 million, to £1,575 million. The issue had been raised by £25 million, to £1,625 million, at the end of July; in the first four weeks of August, however, just over £53 million of notes have flowed back from holiday circulation, and the reduction in the fiduciary issue thus still leaves nearly £30 million of notes in the banking department's reserve.

The £5,709,000 new issue by the East Africa High Commission—which took the form of a 4 per cent stock (1968-71) at 95, offering a gross redemption yield of £4 4s. 3d. per cent—was over-subscribed on Thursday. The London market absorbed only £4,500,000 of this issue, for £959,000 had already been taken up on behalf of Colonial Government funds and £250,000 had been reserved for local subscriptions.

and overdrafts in Britain (which reached £5,855,085 last year); the bank overdrafts of £2,375,807 shown in the consolidated balance sheet are loans in Canada and South Africa that are used to finance hire purchase sales in those countries. Having thrived in the field of retail furniture trade in this country and having crowned this success by eliminating the group's reliance on bank finance, Mr Wolfson declares himself ready to seize "the great opportunity that now exists to build up a complementary and perhaps larger business in Canada and in the United States." Any such expansion must have its risks at this time, and investors must decide whether it is exhilarating—or merely rather nerve-racking—to hitch one's wagon to a shooting star. Up to now, as the effective doubling of the price of "Gussies" shares over the past eight months shows, it has been exhilarating in the extreme.

RICHARDSONS, WEST-GARTH.—Although the directors of Richardson, Westgarth, the marine electrical and general engineering company, can look back with a certain amount of satisfaction on the past year's results, they are obviously rather uneasy about long term prospects in the shipbuilding industry. Their satisfaction with recent trading results is reflected in the decision to raise

the ordinary dividend from 12 to 15 per cent, for a year that saw an increase in trading profits from £814,568 to £897,250, and in stocks and work in progress from £2,166,421 to £2,900,734. Their uneasiness about the future is reflected in

	Years to Mar. 31,	
	1952	1953
Consolidated earnings:		
Trading profit.....	814,568	897,250
Total income.....	816,699	898,400
Depreciation.....	88,458	86,422
Taxation.....	479,470	465,550
Net profit.....	247,361	346,289
Ordinary dividends.....	83,602	109,479
Ordinary dividends (per cent).....	12	15
General reserve.....	150,000	250,000
Added to carry forward	Dr 11,241	Dr 13,190
Consolidated balance sheet:		
Fixed assets, less depreciation.....	1,141,796	1,116,320
Net current assets.....	2,067,298	2,354,864
Stocks.....	2,166,421	2,900,734
Cash.....	385,471	346,649
Reserves.....	1,530,774	1,768,522
Ordinary capital.....	1,327,020	1,327,020

5s. ordinary stock at 10s. 6d. yields £7 3s. per cent.

comments in their report about the growing activity in shipbuilding yards in Italy, Germany and Japan—together with their story of some cancelled orders in British shipyards and of threats to cancel other orders if costs rise any further. Their uneasiness is also reflected in the market by the relatively high yield of 7½ per cent, at the current price of 10s. 6d., on the company's 5s. ordinary stock. The group appears, however, to be achieving some success in the extension of its business in electrical and engineering capital goods outside the shipbuilding industry; and the increased dividend is well covered at the current level of trade.

TOOTAL. The Tootal group, like most of the other big Lancashire concerns, has clearly ridden out the recession in cotton textiles without any structural damage. In the year to June 30th last its trading profits rose from £783,000 to £1,227,964, and its net earnings from £224,789 to £540,676. The directors have celebrated this by effec-

tively raising the ordinary dividend from 15 per cent to 25 per cent; this increase, however, is cautiously described as a "Coronation bonus" of 12½ per cent plus a normal dividend of 12½ per cent, compared with last year's payment of a "bonus" of 2½ per cent plus the same normal dividend of 12½ per cent.

Other signs of the recovery in Lancashire are to be found in the group's balance sheet. Here the value of stocks is shown to have fallen from £4,926,726 to £3,008,468 and cash balances to have risen from £2,451,284 to £3,760,745. The directors explain that, owing to the seasonable nature of the group's business, its liquid resources are usually at a peak at the middle of the year, when the balance sheet is drawn up. This year, they say, liquid balances form an unusually large proportion of current assets because the group has been particularly successful in selling off its accumulated stocks. They then go on, in effect, to evince their belief that recession is a thing of the past by declaring

	Years to June 30,	
	1952	1953
Consolidated earnings:		
Trading profit.....	783,000	1,227,964
Total income.....	847,556	1,827,163
Depreciation.....	259,313	271,237
Taxation.....	241,988	327,706
Net profit.....	224,789	540,676
Ordinary dividends.....	74,335	130,124
Ordinary dividends (per cent).....	15	25
Added to group carry forward.....	137,301	702,053
Consolidated balance sheet:		
Fixed assets, less depreciation.....	1,830,599	1,799,171
Net current assets.....	7,501,294	7,018,233
Stocks.....	4,926,726	3,008,468
Cash.....	2,451,284	3,760,745
Reserves.....	5,863,463	6,468,965
Ordinary capital.....	800,000	800,000

£1 ordinary share at 71s. 3d. x.d. yields £7 per cent.

that these liquid balances will be absorbed as the group begins to build up stocks again. If the Coronation bonus proves to be more lasting than its (probably misleading) name implies, the group's £1 ordinary shares, at 71s. 3d. x.d., yield a full 7-per cent.

LONDON STOCK EXCHANGE

Next Account begins: September 2nd.
Next Contango Day: September 2nd.
Next Settlement Day: September 8th.

ALTHOUGH the gilt-edged market remains quietly firm this week, the set back on Wall Street and the labour dispute in the electrical trade checked the advance in industrial equities on Tuesday and Wednesday. Demand for the Funds was sufficient to secure some slight gains in prices at the close on Wednesday, War Loan stood at 81½ and the new Gas stock was still quoted at ¼ premium. Dominion and Colonial issues were neglected after the East Africa High Commission had announced a new issue of £5,709,000 in a 4 per cent stock (1968-71) at 95s. Insurance shares lost a little ground and banking shares moved rather irregularly, with Canadian issues showing a few losses. Most of the interest in the foreign market was concentrated upon German issues which on Wednesday recovered part of the ground they had lost earlier in the week; elsewhere Chilean loans improved in response to a little support from New York.

The improvement in equity prices that had been just before the Bank Holiday continued until Monday's close, with especial support for the textile and building material groups; the *Financial Times* ordinary share index reached 124.5 on that day. But the set-back on Wall Street led to a general marking down in prices and by the close on Wednesday the index had fallen back to 123.9, although some of the "take-over" shares (notably Montague Burton) resisted this trend. Oil shares, which had started the week rather badly, took a turn for the better on Wednesday and Anglo-Iranian improved to 7½. Widespread slight gains were made in rubber shares, and tea shares also remained firm. Kaffirs were still dull in quiet markets; but Rhodesian copper shares, after making some slight losses, staged a mild rally on Wednesday.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Aug. 19...	123.7	108.97	4.09	5.65
" 20...	124.3	108.98	4.09	5.62
" 21...	124.3	109.15	4.10	5.62
" 24...	124.5	109.11	4.10	5.61
" 25...	124.3	108.97	4.10	5.63
" 26...	123.9	108.97	4.10	5.65
1953, High.	125.0	109.15	Aug. 19	7.382
Mar. 6)	(Aug. 21)	" 20	6.820	
" Low.	113.9	105.68	" 21	6.693
(May 20)	(Jan. 5)	" 24	8.497	
1952, High.	121.5	106.66	" 25	7.672
(Jan. 1)	(Jan. 9)	" 26	6.674	
" Low.	103.1	100.67	(June 24)	(July 3)

* July 1, 1925=100. † 1928=100.

Company Notes

GREAT UNIVERSAL STORES.

The full accounts of Great Universal Stores show that the group's success in the uneasy trading year to March 31st last was even greater than its preliminary statement (which was discussed in these columns on August 1st) had suggested. In Britain the group again sold more goods than ever before, and it also set up new records (in profits as well as sales) in Canada and South Africa; only in its direct export trade did it suffer any notable reverse. In spite of a general reduction in selling prices, therefore, its trading profits advanced from £9,954,976 to £11,388,271—an increase that the directors have greeted by effectively doubling equity payments to shareholders.

The balance sheet, like the profit statement, has a cheerful story to tell. In value, the group's stocks (which have been written down to cover any declines in prices) show only a slight fall; in volume, stocks are probably higher than a year ago. Despite restrictions at home and abroad, there has been another increase in hire purchase debtors (from £31,390,165 to £33,517,459, before deducting any provisions for unearned profits, interest and collection charges); the unrealised profit on these debts is now

£9,830,205 and will only be credited to the group's profit and loss account when these debts are finally collected. The chairman, Mr Isaac Wolfson, declares that these hire purchase debts are spread over some 1,800,000 customers and that bad debts are still negligible. The really surprising feature of the balance sheet, however, is that—despite the increase in working capital commitments—the group has completely eliminated its bank loans

	Years to Mar. 31,	
	1952	1953
Consolidated earnings:		
Trading profit.....	9,954,976	11,388,271
Total income.....	10,013,975	11,524,833
Depreciation.....	740,654	748,486
Taxation.....	5,365,365	6,746,550
Net profit.....	2,993,676	3,183,385
Ordinary dividends.....	353,853	732,982
Ordinary dividends (per cent).....	50	50
General reserves.....	1,840,909	1,542,203
Added to group carry forward.....	494,986	792,501
Consolidated balance sheet:		
Fixed assets, less depreciation.....	12,133,446	11,868,729
Net current assets.....	21,542,261	25,463,072
Stocks.....	16,528,803	16,116,397
Hire purchase debtors.....	22,422,555	23,687,254
Cash.....	4,140,888	4,215,189
Bank loans.....	7,498,555	2,375,807
Reserves.....	13,843,534	15,358,115
Ordinary capital.....	1,348,013	2,696,026

5s. ordinary share at 37s. x.d. yield £6 15s. per cent.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Aug. 26		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Aug. 19, 1953	Price, Aug. 26, 1953	Net Yield, Aug. 26, 1953 %	Gross Yield, Aug. 26, 1953 %	Prices, 1953 Jan. 1 to Aug. 26	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Aug. 19, 1953	Price, Aug. 26, 1953	Yield, Aug. 26, 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	1 7/8	2 1/2	39/10 1/2	32/3	10 1/2	12 1/2	12 1/2	10 1/2
99 1/2	98 1/2	Exchequer 2 1/2% 1955	99 1/2	99 1/2	99 1/2	1 7/8	2 1/2	14/3	10/10 1/2	3 1/2	12 1/2	12 1/2	10 1/2
101 1/2	99 1/2	Exchequer 3% 1960	100 1/2	101 1/2	101 1/2	1 9/8	2 1/2	55/4 1/2	45/3	5 1/2	10 1/2	10 1/2	10 1/2
99 1/2	98 1/2	Serial Funding 1 1/2% 1953	99 1/2	99 1/2	99 1/2	1 7/8	2 1/2	51/1 1/2	44/6	2 1/2	12 1/2	12 1/2	10 1/2
101 1/2	99 1/2	Serial Funding 1 1/2% 1954	100 1/2	101 1/2	101 1/2	1 7/8	2 1/2	51/1 1/2	44/6	2 1/2	12 1/2	12 1/2	10 1/2
101 1/2	99 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	100 1/2	1 0/8	2 1/2	31/-	21/4 1/2	7 1/2	12 1/2	12 1/2	10 1/2
100 1/2	98 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	100 1/2	1 7/8	2 1/2	28/9	21/4 1/2	11 1/2	12 1/2	12 1/2	10 1/2
100 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	100 1/2	1 6/8	2 1/2	48/1 1/2	41/4 1/2	5 1/2	12 1/2	12 1/2	10 1/2
101 1/2	99 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	101 1/2	1 7/8	2 1/2	46/3	37/3	5 1/2	12 1/2	12 1/2	10 1/2
102 1/2	99 1/2	War Loan 3% '55-59	102 1/2	102 1/2	102 1/2	1 7/8	2 1/2	45/10 1/2	38/6	10 1/2	12 1/2	12 1/2	10 1/2
96 1/2	91 1/2	Savings Bonds 3% '55-65	95 1/2	95 1/2	95 1/2	2 0/8	3 1/2	63/6	49/-	4 1/2	12 1/2	12 1/2	10 1/2
98 1/2	93 1/2	Funding 2 1/2% '56-61	97 1/2	97 1/2	97 1/2	1 14/8	2 1/2	81/6	73/-	7 1/2	12 1/2	12 1/2	10 1/2
91 1/2	86 1/2	Funding 3% '59-69	91 1/2	91 1/2	91 1/2	2 3/8	3 1/2	37/6	33/3	2 1/2	12 1/2	12 1/2	10 1/2
93 1/2	87 1/2	Funding 3% '66-68	93 1/2	93 1/2	93 1/2	2 3/8	3 1/2	60/6	51/-	10 1/2	12 1/2	12 1/2	10 1/2
101 1/2	93 1/2	Funding 4% '60-70	101 1/2	101 1/2	101 1/2	2 1/8	3 1/2	46/-	37/9	3 1/2	12 1/2	12 1/2	10 1/2
90 1/2	85 1/2	Savings Bonds 3% '60-70	88 1/2	88 1/2	88 1/2	2 9/8	3 1/2	19/6	15/6	5 1/2	12 1/2	12 1/2	10 1/2
89 1/2	84 1/2	Savings Bonds 2 1/2% '64-67	89 1/2	89 1/2	89 1/2	2 7/8	3 1/2	7/3	5/8 1/2	17 1/2	12 1/2	12 1/2	10 1/2
103 1/2	100 1/2	Victory 4% '20-76	102 1/2	102 1/2	102 1/2	2 0/8	3 1/2	35/10 1/2	23/6	7 1/2	12 1/2	12 1/2	10 1/2
87 1/2	82 1/2	Savings Bonds 3% '65-75	86 1/2	86 1/2	86 1/2	2 9/8	3 1/2	43/5	36/6	15 1/2	12 1/2	12 1/2	10 1/2
92 1/2	86 1/2	Consol. 4% aft. Feb. '57	90 1/2	90 1/2	90 1/2	2 8/8	4 1/2	96/3	78/6	25 1/2	12 1/2	12 1/2	10 1/2
92 1/2	86 1/2	Consol. 3 1/2% aft. April '61	82 1/2	81 1/2	81 1/2	2 7/8	5 1/2	29/-	24/-	12 1/2	12 1/2	12 1/2	10 1/2
77 1/2	77 1/2	Treas. 2 1/2% aft. April '75	61 1/2	59 1/2	59 1/2	2 5/8	4 1/2	66/6	58/6	5 1/2	12 1/2	12 1/2	10 1/2
72 1/2	67 1/2	Treas. 3% aft. April '66	71 1/2	71 1/2	71 1/2	2 6/8	5 1/2	21/4 1/2	19/-	20 1/2	12 1/2	12 1/2	10 1/2
92 1/2	87 1/2	Treas. 3 1/2% '77-80	91 1/2	91 1/2	91 1/2	2 7/8	5 1/2	31/5 1/2	16/6 1/2	22 1/2	12 1/2	12 1/2	10 1/2
91 1/2	90 1/2	Treas. 3 1/2% '79-81	91 1/2	91 1/2	91 1/2	2 7/8	5 1/2	100/7 1/2	85/7 1/2	5 1/2	12 1/2	12 1/2	10 1/2
81 1/2	76 1/2	Redemption 5% '86-96	81 1/2	81 1/2	81 1/2	2 7/8	5 1/2	62/3	46/3	15 1/2	12 1/2	12 1/2	10 1/2
82 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52	81 1/2	81 1/2	81 1/2	2 7/8	5 1/2	58/10 1/2	44/3	55 1/2	12 1/2	12 1/2	10 1/2
62 1/2	58 1/2	Consols 2 1/2%	61 1/2	60 1/2	60 1/2	2 5/8	4 1/2	7 1/2	5 1/2	5 1/2	12 1/2	12 1/2	10 1/2
88 1/2	83 1/2	Br. Elec. 3% '68-73	87 1/2	86 1/2	86 1/2	2 10/8	3 1/2	55/9	40/11 1/2	2 1/2	12 1/2	12 1/2	10 1/2
86 1/2	82 1/2	Br. Elec. 3% '74-77	85 1/2	85 1/2	85 1/2	2 9/8	3 1/2	43 1/2	29 1/2	4 1/2	12 1/2	12 1/2	10 1/2
102 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	100 1/2	100 1/2	100 1/2	2 5/8	4 1/2	89/6	75/7 1/2	5 1/2	12 1/2	12 1/2	10 1/2
92 1/2	88 1/2	Br. Elec. 3 1/2% '76-79	92 1/2	92 1/2	92 1/2	2 6/8	4 1/2	29/1 1/2	23/-	11 1/2	12 1/2	12 1/2	10 1/2
82 1/2	76 1/2	Br. Trans. 3% '78-88	81 1/2	81 1/2	81 1/2	2 9/8	4 1/2	64/1 1/2	34/6	13 1/2	12 1/2	12 1/2	10 1/2
88 1/2	83 1/2	Br. Trans. 3% '68-73	87 1/2	86 1/2	86 1/2	2 10/8	3 1/2	62/3	52/9	6 1/2	12 1/2	12 1/2	10 1/2
99 1/2	95 1/2	Br. Trans. 4% '72-77	98 1/2	98 1/2	98 1/2	2 5/8	4 1/2	44/1 1/2	34/6	13 1/2	12 1/2	12 1/2	10 1/2
81 1/2	76 1/2	Br. Gas 3% '90-95	81 1/2	81 1/2	81 1/2	2 7/8	5 1/2	62/3	52/9	6 1/2	12 1/2	12 1/2	10 1/2
95 1/2	91 1/2	Br. Gas 3 1/2% '69-71	94 1/2	94 1/2	94 1/2	2 6/8	3 1/2	30/9	24/-	10 1/2	12 1/2	12 1/2	10 1/2
99 1/2	98 1/2	Br. Gas 4% '69-72	99 1/2	99 1/2	99 1/2	2 5/8	4 1/2	60/9	51/7 1/2	7 1/2	12 1/2	12 1/2	10 1/2

(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, 1952 Jan. 1 to Aug. 26		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Aug. 19, 1953	Price, Aug. 26, 1953	Yield, Aug. 26, 1953 %
High	Low					
88 1/2	81 1/2	Aust. 3 1/2% '65-69	88 1/2	88 1/2	88 1/2	4 5/8
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65	93 1/2	93 1/2	93 1/2	3 19/10 1/2
98 1/2	91 1/2	S. Africa 3 1/2% '54-59	96 1/2	96 1/2	96 1/2	4 5/8
68 1/2	60 1/2	L.C.C. 3% aft. 1920	69 1/2	69 1/2	69 1/2	4 6/8
91 1/2	84 1/2	Liverpool 3% '54-64	93 1/2	93 1/2	93 1/2	3 14/8
103 1/2	97 1/2	P.L.A. 3 1/2% '66-71	101 1/2	101 1/2	101 1/2	4 12/8
68 1/2	61 1/2	Agric. Mort. 5% '59-89	102 1/2	102 1/2	102 1/2	4 12/8
13 1/2	5 1/2	Austria 4 1/2% '34-59	73 1/2	73 1/2	73 1/2	Nil
68 1/2	43 1/2	Chinese 5% 1913	15 1/2	15 1/2	15 1/2	...
85 1/2	45 1/2	German 5%	56 1/2	56 1/2	56 1/2	...
145 1/2	103 1/2	German 4 1/2%	129 1/2	129 1/2	129 1/2	...

Prices, 1953 Jan. 1 to Aug. 26		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Aug. 19, 1953	Price, Aug. 26, 1953	Yield, Aug. 26, 1953 %
High	Low							
66/10 1/2	58/1 1/2	7 1/2	7 1/2	BANKS & DISCOUNT		65/6	65/6	4 6/8
54/9	46/3	6 1/2	6 1/2	7 1/2 Barclays 'B' £1		53/6	53/6	4 9/8
72/9	64/7	8 1/2	8 1/2	8 1/2 Lloyds 'A' £5 £1 pd.		72/-	71/6	4 9/8
74/1 1/2	59/3	8 1/2	8 1/2	8 1/2 Midland £1, fully pd.		73/-	73/-	4 13/8
82/-	70/-	9 1/2	9 1/2	9 1/2 N. Prov. 'B' £5 £1 pd.		80/-	80/-	4 10/8
75/3	67/6	10 1/2	10 1/2	10 1/2 Westminister £4 £1 pd.		74/-	74/-	4 14/8
40/6	35/6	5 1/2	5 1/2	5 1/2 Alexanders £2 £1 pd.		40/-	40/-	5 0/8
46/3	39/-	5 1/2	5 1/2	5 1/2 Nat. Disc. £1		44/-	44/-	4 9/11
39/7 1/2	32/3	4 1/2	4 1/2	4 1/2 Union Disc. £1		37/-	37/-	4 6/6
49/-	39/3	7 1/2	7 1/2	7 1/2 Barc. (D.C. & O.) 'A' £1		42/-	42/-	6 13/8
				9 1/2 Chart. Bk. of India £1		42/-	42/-	6 13/8
				INSURANCE				
8 1/2	7 1/2	50 a	85 b	Leg. & Gen. £1 5/- pd.		20 1/2	20 1/2	3 18/8
21 1/2	17 1/2	100 a	40 b	Pearl £1, fully pd.		20 1/2	20 1/2	5 5/8
38 1/2	32 1/2	100 c	105 c	Prudential 'A' £1		36 1/2	36 1/2	5 3/11
				BREWERS, ETC.				
131/6	114/9	33 b	10 a	Bass £1		116/3	116/3	7 7/11
17/7 1/2	15/9 1/2	7 1/2	15 b	Distillers 4/-		16/9	17/3	5 4/4
31/1 1/2	27/-	10 b	7 a	Guinness 10/-		29/3	29/9	5 14/3
10/-	8/-	8 b	4 a	Ind. Coops 5/-		8/6	8/6	7 1/2

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75 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%. (m) Dividend of 17 1/2% for 4 months; yield basis 10%. (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 19 7/8% gross. (t) Yield basis 30%. (u) Yield basis 7 1/2%.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Aug. 8th	Western Europe : Production and Trade.....	Aug. 8th
Production and Consumption	Aug. 15th	British Commonwealth	Aug. 15th
Manpower.....	Aug. 22nd	Western Europe : Prices and Money Supply	Aug. 22nd
External Trade.....	This week	United States	This week
Financial Statistics	This week		
Industrial Profits	Aug. 1st		

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	May	June	July	April	May	June	July
VALUE											
Imports :											
Total	£ million	217.4	325.3	290.1	320.3	276.4	290.3	293.3	295.7	291.6	293.0
Food, drink and tobacco	"	85.8	107.8	101.2	114.8	101.2	107.8	119.7	121.1	123.9	119.1
Raw materials	"	82.9	142.5	116.7	124.9	108.0	108.4	115.0	115.2	108.9	112.4
Exports of UK produce :											
Total	"	180.9	215.0	215.1	228.1	187.4	207.8	214.8	211.7	203.9	234.4
Manufactures—total	"	156.9	189.4	186.1	199.1	164.1	180.0	186.2	182.8	176.9	203.3
" metals & engineering	"	89.3	99.9	110.0	121.9	99.0	110.0	112.2	109.5	106.5	119.9
" products	"	34.7	44.9	31.8	29.5	25.9	29.3	31.4	30.4	28.2	35.0
" textiles and clothing	"	32.9	44.6	44.3	47.7	39.2	40.7	42.6	42.9	42.2	48.4
" other	"										
Re-exports	"	7.1	10.6	12.0	9.8	8.3	12.9	8.9	7.2	7.8	8.6
Balance of trade (exports less imports) ..	"	-29.4	-99.7	-63.0	-82.4	-80.7	-69.6	-69.6	-76.8	-79.9	-50.0
VOLUME											
Imports	1950=100	100.0	112.5	103.0	106.3	...	...	117	118	113	...
Exports	"	100.0	101.2	95.0	100	83	94	97	96	96	...
BY AREA											
Imports :											
Dollar area—total	£ million	40.0	64.5	60.1	75.6	63.5	68.1	53.8	50.6	59.6	...
" USA	"	17.6	31.7	26.3	26.5	19.3	18.9	29.3	17.8	19.2	...
" Canada	"	15.0	21.7	26.6	35.7	33.8	40.0	15.4	24.3	34.0	...
Non-sterling OEEC countries	"	54.6	84.0	71.4	75.0	70.3	74.8	61.4	64.3	68.0	...
Sterling area	"	82.6	116.5	119.8	123.6	109.7	112.8	145.4	142.0	121.9	...
Exports :											
Dollar area—total	"	24.9	28.9	31.4	32.6	28.6	31.8	36.7	33.9	37.8	...
" USA	"	10.6	12.8	15.1	15.9	13.9	14.3	15.6	14.2	15.4	...
" Canada	"	10.7	11.7	11.0	11.4	9.7	13.5	16.3	15.1	16.4	...
Non-sterling OEEC countries	"	49.2	56.0	58.3	60.5	50.1	59.1	63.3	61.1	59.1	...
Sterling area	"	87.4	110.8	107.0	102.9	87.2	99.2	103.1	103.6	95.4	...
Balance of trade (exports less imports) ..	"	-15.2	-35.6	-28.7	-43.0	-34.9	-36.3	-17.1	-16.7	-21.8	...
Dollar area	"	-5.4	-28.0	-13.1	-14.6	-20.2	-15.7	+ 1.9	-3.2	-8.9	...
Non-sterling OEEC countries	"	+ 4.8	-5.7	-12.8	-20.7	-22.5	-13.6	-42.3	-38.4	-26.5	...
Sterling area	"										...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	272.2	337.7	325.5	387.3	487.3	510.6	264.4	360.8	499.7	467.4
Meat	"	67.5	39.9	45.5	44.9	49.4	73.6	81.8	69.3	61.7	72.2
Sugar, unrefined	"	174.3	186.8	166.3	306.6	215.5	221.1	301.8	363.4	259.0	335.2
Raw cotton (1)	"	37.4	37.5	21.8	14.1	14.2	14.2	27.2	22.9	33.3	27.5
Raw wool, sheep's and lambs' (1) ..	mn. lb.	49.0	36.0	52.0	62.1	47.6	49.4	82.9	98.3	68.2	50.4
Rubber, natural and synthetic (2) ..	'000 tons	18.7	25.1	16.7	29.0	18.4	7.5	14.5	21.5	18.7	24.2
Softwood	'000 stds.	65.9	135.6	85.2	96.9	99.8	123.7	90.7	115.3	90.4	187.5
Woodpulp	'000 tons	119.3	139.3	119.9	163.1	115.1	78.2	112.5	136.1	127.5	143.6
Crude petroleum	mn. galls.	197	359	483	503	522	452	551	600	535	600
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,464	961	1,254	1,471	1,275	1,498	1,381	1,495	1,244	1,405
Woven piece-goods—cotton	mn. sq. yds.	69	72	59	51	52	60	60	58	52	67
" " wool	'000 sq. yds.	10,611	9,894	8,190	7,747	7,327	9,514	8,360	8,283	7,881	9,602
Passenger cars and chassis	number	33,177	30,717	25,819	32,145	24,285	25,492	25,594	30,939	30,077	32,301
Commercial vehicles and chassis ..	"	12,035	11,425	10,706	13,625	10,241	11,264	7,940	9,201	8,576	11,396
Agricultural tractors	"	6,997	9,388	8,745	11,476	7,922	7,425	9,510	7,735	8,202	6,995
Machinery—electrical	£ '000	3,821	4,022	4,799	4,767	3,784	4,775	6,008	4,644	4,659	5,386
" other	"	22,715	26,245	30,346	32,776	27,135	31,123	30,320	29,397	27,727	31,009
Chemicals	"	4,991	6,533	6,774	8,224	6,089	5,672	5,870	5,938	5,690	6,744

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	36.6	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												
February	109.6	97.9	113.4	111.5	104.6	116.6	119	102	117	201.9	71.17	71.24
March	110.0	99.8	113.5	111.7	104.7	116.8	118	102	115	203.9	71.93	71.86
April	109.4	97.3	113.7	111.5	104.6	117.0	118	102	115	193.7	71.40	71.26
May	109.8	97.8	114.0	112.1	104.7	117.1	...	...	...	194.1	71.63	71.34
June	109.4	95.3	114.5	113.7	104.6	117.4	...	...	...	187.3	72.04	71.40

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates \$ billion	Total industrial production	Manufacturing production						Building New construction seasonally adjusted \$ million	Civilian employment		
			Durable goods			Non-durable goods				Total labour force thousands	Total employment	Unemployed as % of labour force % rate
			Total	Iron and steel	Auto-motiles	Total	Textiles	Chemicals				
Index 1935-39=100; seasonally adjusted												
1939	91.3	109	109	114	94	109	112	113	683	55,230	45,750	17.2
1951	329.8	220	273	259	237	194	174	299	2,575	62,834	61,005	3.0
1952	348.0	219	280	243	230	189	161	301	2,720	62,966	61,293	2.7
1953												
March	362.0	243	328	297	308	201	173	314	3,050	63,134	61,460	2.7
April	372.4	241	325	292	311	198	169	319	3,007	62,810	61,228	2.5
May		240	321	291	300	199	173	320	2,910	62,964	61,658	2.1
June		241	321	288	300	199	174	324	2,923	64,734	63,172	2.4
July		232	311	...	...	190	...	...	2,860	64,668	63,120	2.4

TRADE

	Personal consumption Annual rates \$ billion; seasonally adjusted	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			\$ 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												
February	227.7	48.83	74.94	14.51	20.97	848	209	222	1,185	828	149	239
March		49.10	75.34	14.44	21.10	992	234	243	1,378	971	174	274
April		49.98	76.47	14.27	21.66	993	224	260	1,382	1,000	175	279
May	230.4	49.39	76.84	14.45	21.54	891	219	239	1,429	1,047	158	289
June		49.24	77.55	14.51	21.66	...	...	...	...	...	...	...

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	254.5	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	2.63	2.96
1953												
March	283.6	197.5	13.2	25.68	19.27	74.8	65.2	6.2	+ 4.3	2.082	2.83	3.12
April	282.7	197.9	12.1	26.17	19.66	73.1	65.3	6.4	+ 3.5	2.177	2.97	3.23
May	284.7	199.3	12.5	26.72	20.08	72.6	65.5	6.2	+ 1.9	2.209	3.09	3.34
June	285.9	200.6	12.3	27.05	20.49	72.6	65.5	8.0	+ 1.8	2.231	3.03	3.40
July								6.1	- 2.8	2.101	2.99	3.28

(†) First quarter (‡) End of period. (*) All commercial banks. (†) Annual figures are totals for the fiscal year ended June 30th.

EXCHEQUER RETURNS

For the week ended August 22nd there was an "above-line" deficit (after allowing for Sinking Funds) of £42,321,000 compared with a deficit of £31,563,000 in the previous week and a deficit of £17,852,000 in the corresponding period last year, bringing the cumulative deficit to £195,907,000 (£242,850,000 in 1952-53). Net expenditure "below-line" absorbed £4,416,000 raising the total cumulative deficit to £384,696,000 (£487,673,000 in 1952-53).

	£'000	Estimate, 1953-54	April 1, 1952 to Aug. 23, 1952	April 1, 1953 to Aug. 22, 1953	Week ended Aug. 23, 1952	Week ended Aug. 22, 1953
Ord. Revenue						
Income Tax	1782,250	403,059	380,165	13,042	12,258	
Sur-tax	127,000	28,700	28,300	1,000	900	
Death Duties	160,000	61,300	66,700	2,800	2,800	
Stamps	52,000	19,950	21,000	1,000	1,000	
Profits Tax & EIT	214,000	152,600	76,800	12,000	4,500	
Excess Profits Levy	99,500	...	22,550	...	1,500	
Special Contribution and other	1,000	800	380	50	...	
Inland Revenue						
Total Inland Rev.	2435,750	666,409	595,895	29,892	22,958	
Customs	1044,300	404,856	412,298	20,067	21,764	
Excise	680,480	292,033	290,513	10,715	10,005	
Total Customs and Excise	1724,780	696,889	702,811	30,782	31,769	
Motor Duties	69,000	11,160	12,864	...	2,000	
PO (net receipts)	2,685	...	2,600	...	...	
Broadcast Licences	16,000	3,300	3,900	...	...	
Sundry Loans	25,000	8,630	9,049	...	...	
Miscell.	95,000	32,006	45,243	303	268	
Total	4368,215	1419,394	1372,363	60,977	56,995	
Ord. Expenditure						
Interest	615,000	220,693	225,291	5,353	7,726	
Payments to N. Ireland Exchequer	48,000	13,074	16,632	...	...	
Other Cons. Fund.	10,000	4,174	4,369	...	...	
Supply Services	3586,286	1412,540	1310,926	73,090	91,740	
Total	4259,286	1650,482	1657,218	78,459	96,868	
Sinking Funds	...	10,762	11,052	370	450	
'Above-line' Surplus or Deficit	-242,850	-195,907	-178,521	-42,321	-42,321	
'Below-line' Net Expenditure	244,823	188,789	6,670	4,416	4,416	
Total Surplus or Deficit	-487,673	-384,696	-245,222	-46,737	-46,737	
Net Receipts (£ mn) from:						
Tax Certificates	32,810	84,496	68	119		
Savings Certificates	11,900	8,900	400	300		
Defence Bonds	42,055	25,578	2,065	716		

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Aug 23	3,020.0	1,462.9	307.0	...	4,789.9
1953					
May 30	3,100.0	1,440.9	255.1	...	4,796.0
June 6	3,130.0	1,461.9	244.6	0.7	4,837.2
" 13	3,160.0	1,483.0	239.0	...	4,882.0
" 20	3,180.0	1,385.0	277.6	...	4,842.6
" 30	4,597.8	...	252.3	5.0	4,855.1
July 4	3,170.0	1,438.2	239.8	...	4,848.0
" 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	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

Financial Statistics

THE MONEY MARKET

CREDIT was much tighter in Lombard Street in the week covered by Wednesday's Bank return. On each of the last three days before the weekend, some special purchases of bills were made by the authorities—mainly directly from the market. On Monday the lack of maturities caused by the fall of Whit-Monday three months previously made credit especially short, and very large special purchases were made, mainly indirectly from the banks. On Tuesday and Wednesday, however, credit supplies were adequate.

The market maintained its bid at £99 8s. 2d. for the £270 million of Treasury bills that were again on offer at last week's tender. Since total applications rose by over £10 million, to £358.2 million, however, the market's allotment fell from 71 per cent to 67 per cent of its bid. At yesterday's tender, a new record total of £280 million of Treasury bills were on offer; but owing to a rise in maturities, the excess of new bills will remain at £20 million next week.

The Bank return shows the expected reduction in the fiduciary issue of £50 million, to £1,575 million; as there was a further reflux of notes of £12.9 million in the week to Wednesday last, the reserve of notes in the banking department is still nearly £30 million. Government securities held in the banking department rose by only £44.7 million despite the transfer into it of £50 million, consequent upon the reduction in the fiduciary issue. Discounts and advances fell by £2.6 million and public accounts by £4.4 million; bankers' deposits rose by £7.8 million, mainly because of the note reflux.

London Money Rates

Bank rate (from 24% 11/3/52)	4%	Discount rates	Bank bills: 60 days ...	3 months ...	6 months ...
Deposit rates (max)	2	3 months ...	3	3	3
Banks	2	4 months ...	3½	3½	3½
Discount houses	2	6 months ...	3½	3½	3½
Money—Day-to-day	2-2½	Fine trade bills:			
Short periods	2-2½	3 months ...	4-5	4-5	4-5
Treasury bills 2 months	2½	4 months ...	4½-5	4½-5	4½-5
3 months	2½	6 months ...	4½-5	4½-5	4½-5

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills the rate is 3½ per cent.

LONDON CLOSING EXCHANGE RATES

	Official Rates		Market Rates: Spot							
	August 26		August 20	August 21	August 22	August 24	August 25		August 26	
United States \$.	2.78-2.82	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	
Canadian \$		2.77½-2.78	2.77½-2.78½	2.77½-2.78½	2.77½-2.78½	2.78-2.78½	2.77½-2.77½	2.77½-2.77½	2.77½-2.77½	
French Fr.	972.65-987.35	981-982	981-982	981-982	981-982	976-977	977-978	977-978	976½-977½	
Swiss Fr.	12.15½-12.33½	12.17½-12.17½	12.17½-12.17½	12.17½-12.18	12.17½-12.18	12.17½-17½	12.17½-12.17½	12.17½-12.17½	12.17½-12.17½	
Belgian Fr.	138.95-141.05	140.05-140.15	140.10-140.10	140.10-140.10	140.10-140.15	140.10-140.15	140.15-140.25	140.15-140.25	140.15-140.25	
Dutch Gld.	10.56-10.72	10.57-10.58	10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.58	10.58-10.58	
W. Ger. D.Mk.	11.67½-11.84½	11.69-11.69	11.69-11.69	11.69-11.69	11.70-11.69	11.70-11.69	11.69-11.70	11.69-11.70	11.70-11.70	
Portuguese Esc.	79.90-81.10	79.80-80.00	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.	14.37½-14.59½	14.45-14.46	14.46-14.46	14.46-14.46	14.46-14.46	14.46-14.46	14.46-14.46	14.46-14.46	14.46-14.46	
Danish Kr.	19.19½-19.44½	19.31-19.34	19.34-19.34	19.34-19.34	19.34-19.34	19.34-19.34	19.34-19.34	19.34-19.34	19.34-19.34	
Norwegian Kr.	19.65-20.15	19.98½-19.99½	19.98½-19.99½	19.98½-19.99½	19.98½-19.99½	19.98½-19.99½	19.98½-19.99½	19.98½-19.99½	19.98½-19.99½	

One Month Forward Rates									
United States \$.	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par
Canadian \$	½ c. dis	½ c. dis	½ c. dis	½ c. dis	½ c. dis	½ c. dis	½ c. dis	½ c. dis	½ c. dis
French Fr.	1½ c. dis	1½ c. dis	1½ c. dis	1½ c. dis	1½ c. dis	1½ c. dis	1½ c. dis	1½ c. dis	1½ c. dis
Swiss Fr.	1½ c. pm	1½ c. pm	1½ c. pm	1½ c. pm	1½ c. pm	1½ c. pm	1½ c. pm	1½ c. pm	1½ c. pm
Belgian Fr.	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis
Dutch Gld.	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par	½ c. pm-par
Swedish Kr.	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis
Danish Kr.	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis
Norwegian Kr.	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis	26 pm-26 dis

COMPANY MEETINGS

GEORGE NEWNES LIMITED

A RECORD YEAR

STATEMENT BY SIR FRANK NEWNES

The fifty-sixth annual general meeting of the company was held at the company's offices on Thursday, August 27th, Mr H. C. Tingay (vice-chairman and managing director) presiding in the absence abroad of the chairman, Sir Frank Newnes.

The following are extracts from the chairman's statement circulated with the report and accounts:

The results for the year constitute a record in the history of the company. For the first time the trading profits of the group have passed the million mark, the figure being £1,111,003 as compared with £969,329 for the previous year. After deducting taxation of £476,842 the net profit amounts to £634,161 as against last year's figure of £506,672. This eminently satisfactory result reflects the vigour and enterprise of the widely spread activities of the organisation.

Expressed in simple terms the figures of the group, as a whole, show that after setting aside £83,150 for pension funds and after payment of dividends on the preference shares of Newnes and its subsidiaries and the proposed dividend on Newnes ordinary shares (£217,266), there remains a surplus of £333,745 to be added to the resources of the various companies.

PARENT COMPANY'S RESULTS

As to the parent company, Newnes, the net profits, after deducting taxation, amount to £409,153 as compared with £346,893 for the previous year. With the amount brought forward from last year, and after deducting preference dividends and interim dividend on the ordinary shares, there remains a disposable balance of £438,156.

The directors have given careful thought to dividend policy, and have reached the conclusion that in view of the group's financial strength—a position built up by the conservative dividend policy pursued over past years—the time has arrived when shareholders might reasonably expect some added consideration. Accordingly they propose a final dividend of 20 per cent, making 25 per cent for the year, as compared with a total of 20 per cent for last year. After allocating £11,000 to pension funds and transferring £225,000 to general reserve, there remains a balance of £84,656 to be carried forward to next year's accounts.

PROPOSED SCRIP DISTRIBUTION

They also propose, subject to the consent of the Capital Issues Committee to whom application has already been made, that £587,500 from reserves be capitalised by converting the present 10s. ordinary shares into £1 shares. A far larger sum than the present nominal ordinary capital is now employed in the business, and the course proposed will thus bring the ordinary capital more into line with the true position. On that footing the dividend of 25 per cent being paid this year would be equivalent to 12½ per cent on the increased capital.

(Chairman reported that consent of CIC had since been received.)

STRONG FINANCIAL POSITION

The detailed figures call for little comment, the changes showing mainly the

normal fluctuations of business. A study of the consolidated balance sheet discloses the strong financial position of the group. General reserves amount to £1,488,615, capital reserves to £327,083, and development reserves to £634,356. Undistributed profits, after payment of the proposed Newnes ordinary dividend, stand at £340,683, and cash and tax reserve certificates amount to no less than £1,486,849. Stocks show little change at £1,100,390. Plant and machinery has increased approximately by £47,000, representing further important additions to the plant of Temple Press Limited who, by the urgent nature of several of their publications, have to produce at high speed.

TRIBUTE TO MR HERBERT TINGAY

I should like to take this opportunity of congratulating Mr Herbert Tingay, vice-chairman and managing director, on the completion of fifty years' service with the company.

His leadership, breadth of vision, and hard work have largely led to the company's present success and his colleagues desire to pay tribute to him for the valuable services he has rendered to the company over these years. It is a happy thought that the occasion should coincide with a year when the company has reached the record profits to which I have already referred.

THE PUBLICATIONS

Revenues both from sales and advertisements create new records in the company's long life. "Woman's Own," our largest circulation weekly, has made further remarkable progress. Its present sale is now well in excess of 2 million copies per week, an increase of over 400,000 copies per issue as compared with this time last year. Advertisement revenues have kept in step with the circulation advance and show a record total. It is clear that advertisers readily recognise the immense influence of "Woman's Own" in the home circle where the outgoings of the family budget have to be studied with care and guidance. "Tit-Bits," which was founded by the late Sir George Newnes more than seventy years ago, becomes almost a publishing romance. Notwithstanding a remarkably long and successful life the circulation today is well over 800,000 copies per week, the highest it has reached for many years past. Last year at this time the figure was about half a million. The "Wide World" Magazine, now in its 56th year, remains the firm favourite of a very wide circle of readers spread throughout the English-speaking countries of the world. "Amateur Gardening" and "The Smallholder," still the leading weeklies in their respective fields, have reached peak circulation figures in a long and distinguished history. They provide almost unique opportunities to advertisers in reaching the buying public they seek.

The book publishing sections of the business have done well. In particular the Subscription Books Department, marketing important volume works including "Chambers's Encyclopædia," is able to record excellent results. The Australian company, formed as a result of an earlier visit of executives to that country, has amply proved the

wisdom of opening up a Subscription Books business on that side of the world.

COUNTRY LIFE ACTIVITIES

The Country Life group of publications have again had a good year in spite of conditions which might have been expected to produce a less satisfactory result. "Country Life" itself, that "supremely beautiful weekly" as it has been described, has maintained its pre-eminence among publications devoted to rural and cultural activities. Special arrangements made this year to cover a wider range of sporting events have had a warm welcome from readers. The Coronation provided an opportunity for using "Country Life's" unique resources to the full, and its special Coronation number has been widely praised as an outstanding achievement. It was the largest and most comprehensive issue of its kind, yet it was produced within four days of the actual ceremony. A large edition has been distributed all over the world. Another encouraging development is the rapid progress of our women's magazine "Homes and Gardens" in a field in which competition is especially keen. Both circulation and advertisement revenue show notable increases.

Although too many to mention individually, the other publications in our general and specialised list are doing well almost without exception. C. Arthur Pearson Limited, our largest subsidiary, has had a good year. Its earnings have been restored to more normal levels after a set-back last year mainly due to the high cost of paper.

TRADE AND TECHNICAL PUBLISHING INTERESTS

In the trade and technical fields we are represented by two powerful organisations, Temple Press Limited and National Trade Press Limited. Both companies function as separate units under highly skilled and efficient managements. Temple Press Limited, with its group of well-established technical or specialised journals and books, has had a successful year. With larger supplies of paper available, the circulations of some of their periodicals have reached record figures. The sales of "The Motor" and "Motor Cycling" in the past year have been substantially higher than at any period during their 50 years of publication. Temple Press journals (circulating all over the world) play a vital part in the industries with which they are connected. "The Commercial Motor" for instance is the representative journal of the important road transport industry, and "Farm Mechanization," which was started only a few years ago, has established itself as the foremost journal in this field of rapidly increasing activity.

The National Trade Press did well during the year, despite unfavourable conditions in a number of industries in which its journals enjoy a deservedly high reputation. Its seventeen trade and technical publications, spread as they are over a wide variety of industries, are usually able to counterbalance the difficulties in one direction by more favourable conditions elsewhere. A new quarterly, "Children's Wear," was launched by the company during the year.

The report and accounts were adopted.

DICTAPHONE COMPANY

SATISFACTORY YEAR'S TRADING

MR C. KING WOODBRIDGE'S ADDRESS

The forty-first annual general meeting of the Dictaphone Company Limited was held on Friday, August 21st, at the offices of the company, 17, Stratford Place, London, W.

Mr C. King Woodbridge, chairman of the Dictaphone Company and president of the Dictaphone Corporation, presided, and in the course of his address stated that the year under review had resulted in an operating profit amounting to £207,624.

After referring in some detail to the balance-sheet and profit and loss account, the chairman continued: Our profit this year compares favourably with last year. But we continue to pay heavy taxes, which limit the profits available for shareholders and for the development of plant and equipment.

The present tax position is crippling and no less than 64 per cent of our earnings finds its way to the Chancellor of the Exchequer in one form or another. We look forward to the lifting of the excess profits levy at January 1st next which is so seriously affecting this company, having regard to the phenomenal progress that has been made during the past five years.

In moving the adoption of the report and accounts, Mr Woodbridge said: When reviewing the accomplishments of the past and considering the possibilities for the future I have schooled myself to the analysis of our business and consider the factors we meet a good barometer.

Selling at a profit is our motivating force. Our current sales results are very good. Orders taken are ahead of last year. Deliveries of Dictaphone equipment break records. Dictabelt sales keep going up.

INCREASED SALES EFFORT

To reach our potential we have increased our sales effort in service and advertising. These strong sales factors have put added work in our plants, which are increasing output as rapidly as they can secure material and manufacture Dictaphone machines.

Our defence business is continuing at satisfactory levels. Our people are fully employed. Dictaphone's plans will continue to give impetus to selling and should provide for uninterrupted employment.

Improvements have been made in our factories and equipment through the use of earnings. This represents to me the insurance for the future for shareholders, employees and our customers.

OPTIMISTIC OUTLOOK

Business generally with this company and the parent corporation has never been better and we are experiencing, I believe, a reflection of two major factors. There is plenty of optimism over the business outlook. Business is enlarging, not contracting.

Most industrial groups are expected to spend more in 1953. Public utilities, manufacturing, commercial ventures, stores, warehouses, office buildings, are moving on under good momentum and with strong support.

The major factor is the absolute necessity for business, professions, and Government to double their capacity to get things done

and to increase earnings in order to meet the higher cost of doing business.

No modern device meets this situation that confronts us as does the dictating machine. The Time-Master and the Dictabelt have won an enviable reputation throughout the world. Men and women in professions and in Government find that once having given the Time-Master intelligent consideration, they wonder how they ever got along without it.

KEEPING PACE WITH OFFICE WORK

Sometimes I feel that we have so many opportunities around us that we get lost in a forest of potential sales. Within two weeks several businessmen have told me how little time was available to tackle correspondence and to take care of the details of their jobs. Then my sales kit comes out. I want to quote a note from a friend of mine who casually told me at a dinner recently that he was having a difficult time in keeping pace with his office work. "I have found the Dictaphone Time-Master the most valuable accessory to my needs that I could imagine. It absolutely fits the requirements of my particular situation." There are thousands and thousands of such individuals all over the country who are seeking ways to get their work done—top-ranking business executives—travelling by day who are using the Time-Master at the end of the day and posting their Dictabelts back to their offices.

We have been enjoying for some time a sellers' market, and since the beginning of the present year it has been brought home to us that we are no longer enjoying this condition, but our objective has not changed, and our objective is the business of rendering a service to individuals, corporations, institutions and Governments who, through the use of Dictaphone dictating machines, can double their capacity to get things done. This friend of mine, when I gave him the interpretation of our business, said: "Well, I have greater respect for you now—more than I would have had if you had told me your business was making dictating machines."

HUMAN RELATIONS ACTIVITY

Ours is a human relations activity, and I say to you that a sound business management is the result of vision, enterprise, and service, and those factors are the products of the heart and not of the market place. Industry has been influenced by individuals who believed that they could go and buy loyalty, buy brilliancy, buy this, that. But enduring business enterprise is not built up that way. You cannot purchase it. You cannot pick a successful organisation out of a hat. A good organisation depends on: the product—an understandable operating programme—an organisation that believes—and—the spiritual qualities which we must cherish and preserve.

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

The proceedings terminated with a hearty vote of thanks to the chairman, who in replying thanked Mr Gordon Paterson for his services to the company, the destinies of which he has successfully controlled for the past six years. The other directors present expressed their desire to be associated with the chairman's thanks to Mr Paterson.

THE GLOBE TELEGRAPH AND TRUST COMPANY

INCREASING PROSPERITY AND STABILITY

The eightieth annual general meeting of The Globe Telegraph and Trust Company Limited was held on August 25th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the chairman), presided and in the course of his speech said: We achieved our eightieth birthday last month. During these eighty years there has been ever increasing prosperity in your undertaking, which is in no small measure due to past directors, particularly those in the early days, who adopted a prudent policy which has been consistently followed through the years, with the result that today you have an investment trust company with which the stockholders may well be proud to be associated, and which has shown increasing stability with increasing returns to the stockholders.

The total gross income has risen by no less than £48,042. Against this expenses have increased by only £2,356. We cannot, however hope that every year our income will expand by an amount sufficient to cover the rising costs with which everyone, individual and company alike, is faced, and for this reason, as well as a general precautionary measure to guard against other possible contingencies, your directors have considered it advisable to add £50,000 to general reserve. The sum payable to the Income Tax authorities has again increased as a direct consequence of the higher profits, so that this year the figure stands at £203,033, or £19,578 more than last year.

The net profit for the year is thus £26,108 higher at £230,645. After deducting from this sum the cost of the 3 per cent interim dividend paid in February last (£61,145) and the amount transferred to general reserve (£50,000) there remains a sum of £119,500, which is sufficient to enable your directors to recommend once again a final dividend of 5 per cent, making a total of 8 per cent for the year. The balance of £12,739 is added to the profit brought forward, to make a total of £163,832 to be carried forward to next year.

From the balance sheet you will observe that the capital remains unchanged at £3,882,201; the capital reserve has been increased by just over £4,500 to make £412,545. The debenture stock remains unaltered at £3,542,704. The monies invested have increased by £54,465 to £8,305,022, £6,237,780 of which is in quoted investments and £2,067,242 in unquoted investments.

EXPANSION OF OVERSEAS INVESTMENTS

The analysis of our portfolio shows that the principal variation during the year under review is a reduction of 9.5 per cent in our investments in this country and increases of 3.4 per cent and 4.9 per cent in our investments in Canada and the United States respectively, by which exchange we obtain, after taking into account relief from double taxation, a higher yield on our money and a comparable class of security. I think you will agree that this has improved the spread of our holdings and at the same time it has enabled us, in so far as Canada is concerned, to pursue our policy of giving assistance to commerce both in this country and in the Commonwealth overseas. As you know, we are particularly interested in development in the Rhodesias and South Africa, and I have recently visited those countries so as to keep in touch with events in those areas. I am happy to report that I maintain the fullest confidence both in those countries and the companies in those areas in which we are interested.

The report was adopted.

GROSVENOR HOUSE (PARK LANE)

"EXPORT OR PERISH"—HOTELS RESPOND

BOARD'S POLICY OF EXPANSION

The twenty-fifth annual general meeting of Grosvenor House (Park Lane), Limited, was held on August 27th in London, Mr Charles S. Taylor, MA, DL, MP (the chairman), presiding.

In his circulated statement Mr Taylor stated that while stockholders would agree that the results were excellent, unfortunately that was not the whole story.

The net profit for the year ended March 31, 1953, at £273,027 showed an increase of £73,000, which was £35,000 higher than the previous highest record in the company's history, but Excess Profits Levy swallowed up £20,000 (the equivalent of a gross dividend of 4 per cent!), and when income tax and profits tax were also added to that figure the Exchequer would take £59,000 (the equivalent of a gross dividend of nearly 12 per cent!) out of the £73,000, leaving the company with less than one-fifth of its hard-won extra profits.

Year after year it had been dinned in the nation's ear by successive Chancellors of the Exchequer that we must export or perish. Tourism, in which the hotel industry played such an important part, was one of the country's largest invisible exports, yet punitive taxation was imposed when they succeeded in doing exactly what they were asked to do. That policy would not stimulate the expansion and improvement of hotel accommodation in Britain.

"We have to compete with new hotels in Italy and in Germany," stated Mr Taylor, "some of which, I understand, have been built with American dollar aid. Not only have we had no share of Marshall Aid for this purpose, but much too great a percentage of our own legitimate profits has been taken away from us by taxation."

A WELL-MANAGED BUSINESS

Stockholders would be interested to know that the increase of profits during the year was a result of an increased turnover in the basic revenue-earning departments, but

spending power was not what it was and the restaurant, bar and lounge takings had not shown a corresponding improvement. That was all the more significant in view of the fact that, because of the raising of restrictions, they were at long last able to serve really first-class meals, and their cuisine was regarded as among the best in London and now compared favourably with the finest in any capital city in the world.

Referring to the board's offer, which was not accepted, for the ordinary and preference shares in Gordon Hotels, Mr Taylor stated that they still believed that their proposals at that time would have been advantageous to all concerned.

The board had given considerable thought to the problem of how not only to consolidate the success of the company, but also to expand its activity as opportunity offered. With that in view a resolution would be proposed that the authorised capital of the company be increased by £500,000. While the board had no proposition immediately in mind, they were continually on the look out for worthwhile possibilities.

The report was adopted, a total distribution of 10 per cent (against 6 per cent) was approved, and the increase of the company's authorised capital was sanctioned.

OLDHAM & SON LIMITED

NEW DEVELOPMENTS IN BATTERY AND ELECTRICAL EQUIPMENT FIELDS

The thirty-fourth annual general meeting of Oldham & Son Limited was held on August 27th at the company's head office, Denton, Manchester, Mr John Oldham, OBE, JP (the chairman), presiding.

In his statement, circulated with the accounts, the chairman reported a net profit for the year of £262,541. After providing for taxation there was a balance of £109,247. It was proposed to pay a final dividend of 10 per cent on the ordinary shares which, with the interim dividend already paid, brought the total distribution on the ordinary shares to 17½ per cent for the year. During the year the ordinary share capital was doubled by a share issue of £200,000 from reserves. Thus the amount of the dividend which for last year was

expressed as a 35 per cent dividend remained unchanged.

BATTERY MARKET CHANGES

In the course of his speech Mr Oldham said:

During the financial year just ended it can be said that trading conditions affecting the car replacement and battery market reflect backwash of the Korean war. The twelve months which followed the outbreak of hostilities witnessed a considerable increase in the price of lead, this was followed by increased demands both at home and overseas as stocks were built up during this period through apprehension of shortages arising out of a possible extension of the Korean conflict.

In the period to which I now refer the reverse side of this minor boom has been experienced. With trade stocks of batteries now at lower and more stable levels together with more normal trading conditions, increased demands can be expected.

On the other side of the picture, it is satisfactory to report, as I have already stated that other departments have increased their business and this, together with the application of the new methods and processes of production upon which I commented last year, has been instrumental in offsetting to a considerable extent the effect of the departmental recession to which I now refer.

It is gratifying also to observe that overseas, our South African company and our French company report substantial increases in the volume and value of the business they have done during the past year.

THE VALUE OF RESEARCH

Of particular interest are our outlets many branches of industry—not only for the immediate value as markets but because the seems to be no limit to industry's capacity for devising new equipment to whose operation storage batteries are essential.

LARGE-SCALE FIBRAK PRODUCTION

The new Fibrak battery separator, to which I have referred in former reports and which has now got into large-scale production, together with the introduction recently of a range of emergency lighting equipment for use in hospitals, public buildings, and industrial concerns, are two illustrations which suffice to indicate the diversity of the long term research and technical development programme laid down to ensure the flow of new ideas and improved technique.

UNIVERSITY OF GLASGOW

ASSISTANTSHIP IN POLITICAL ECONOMY
Applications are invited for an Assistantship in Political Economy. Salary scale £400 to £550. Initial salary according to qualification and experience. F.S.S.U. and family allowance benefits. Applications (3 copies) should be lodged, not later than Saturday September 19, 1953, with the undersigned, from whom further particulars may be obtained.
ROBT. T. HUTCHESON, Secretary of University College.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND
The Victoria University Council proposes shortly to appoint a Professor of Social Science, and now invites applications from suitably qualified persons.

Salary will be at the rate of £1,500 p.a., rising to £1,700 p.a. by annual increments of £100. Allowance is made for travelling expenses. Further particulars and information as to method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1. The closing date for the receipt of applications is September 17, 1953.

OPERATIONAL RESEARCH, COURTAULDS, LIMITED, has a vacancy for an Assistant in its Operational Research Department with a degree in applied mathematics, physics, chemistry or engineering and with an interest in investigational work. A knowledge of statistics is desirable but basic mathematics for learning statistical methods and related techniques is essential. Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds, Limited, 16, St. Martin's-le-Grand, London, E.C.1 quoting the reference number C.47.

GRADUATE in Economics (including also special study of commercial and company law), 28, with nine years' all-round banking experience, including accounting in U.K. and abroad, desires position in town or country where interest and scope for ability to think for oneself are predominant features.—Reply Box 321.

Colonial Problems and Prospects

The Times British Colonies Review, an illustrated quarterly periodical, brings together news and expert opinion on every aspect of Colonial development to-day. The next issue will include articles on the following subjects:—

- TRAVEL IN AFRICA
- COMMUNIST PROPAGANDA IN THE COLONIES
- WOMEN'S WORK IN THE COLONIES
- HORSE-RACING IN NIGERIA
- UGANDA'S FOREST SCHOOL FOR AFRICANS
- COLONIALS IN BRITAIN
- THE IMPERIAL INSTITUTE
- RESOURCES OF THE COLONIAL EMPIRE (X) COAL
- CAREERS IN THE COLONIES (IV) SURVEYING
- COLONIAL FINANCE AND COMMERCE

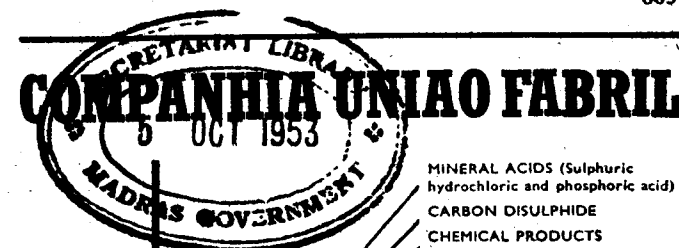
THE TIMES BRITISH COLONIES REVIEW

Price 6d.

TO BE PUBLISHED ON SEPTEMBER 8

Order your copy now

From all newsagents and booksellers. The annual postal subscription is 2s. 8d. Orders should be sent to the Subscription Manager, The Times, Printing House Square, London, E.C.4.



- MINERAL ACIDS (Sulphuric hydrochloric and phosphoric acid)
- CARBON DISULPHIDE
- CHEMICAL PRODUCTS
- TRIPLE SUPERPHOSPHATES
- FERTILIZERS
- SULPHATE OF AMMONIA
- COPPER SULPHATE
- SULPHUR
- CATTLE MEAL
- INSECTICIDES
- INDUSTRIAL OILS
- EDIBLE OILS
- OLIVE OILS
- SULPHUR OLIVE OIL, GROUND NUT, LINSEED AND PALM OIL
- SOAPS
- CANDLES
- JUTE AND COTTON TEXTILES
- SISAL TWINE
- CARPETS
- HOSES
- COCO MATS
- SACKING
- IRON AND STEEL CASTING
- SHIPBUILDING
- GOLD AND SILVER REFINING

THE LARGEST COMMERCIAL AND INDUSTRIAL ORGANIZATION OF THE PENINSULA
LISBON — Rua do Comércio, 49 PORTO — Rua Sá da Bandeira, 86

THE GLASGOW SCHOOL OF MANAGEMENT STUDIES

ROYAL TECHNICAL COLLEGE GLASGOW and THE GLASGOW & WEST OF SCOTLAND COMMERCIAL COLLEGE.

SESSION 1953-54

Day Courses

The School will offer the following full-time courses of one session's duration:—

PERSONNEL MANAGEMENT
WORKS MANAGEMENT
BUSINESS ADMINISTRATION

In addition the following courses will be available:—

MANAGEMENT AND LABOUR RELATIONS
(9 weeks full-time.)

INDUSTRIAL RELATIONS
(4 weeks full-time.)

PRODUCTION PLANNING AND CONTROL
(3 weeks full-time.)

WORK STUDY
(3 weeks full-time.)

EXECUTIVE PROGRAMME
IN BUSINESS MANAGEMENT

(Intermediate: Day Release and Remote Area Scheme.)
(Diploma: Day Release Scheme.)

Evening Courses

A general management course is offered leading to the

**MANAGEMENT DIPLOMA OF
THE GLASGOW SCHOOL OF MANAGEMENT
STUDIES.**

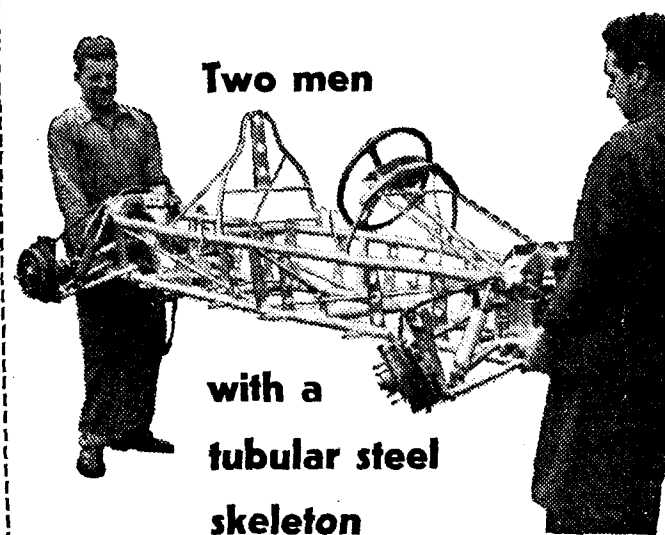
For commencing dates and full details see special pamphlet "Education for Management," obtainable on application from either of the following addresses:—

The Royal Technical College, George Street, Glasgow, C.1. The Glasgow and West of Scotland Commercial College, Pitt Street, Glasgow, C.1.

This is a private argument—

BUT ANYBODY MAY JOIN IN

A? or B?



This tubular steel chassis for the Cooper-Bristol racing car is no skeleton in the cupboard — it has many important successes to its credit in England and abroad. The tubular steel construction gives great rigidity and strength to the framework and, at the same time, lightens the total weight considerably. Those who know tell us that this form of construction, using Accles & Pollock's seamless steel tubes, is pointing the way for future development in motor car design generally.

ACCLES & POLLOCK

Makers and manipulators of seamless tubes, in stainless and other steels

OLDBURY • BIRMINGHAM • A  COMPANY



FILL IN AND POST THIS BALLOT COUPON

Although we have repeatedly told them not to, the Directors of Accles & Pollock sometimes read these advertisements. They now have the idea that they should be written in a way simple enough even for them to understand. This seems crazy to us, but, then, we seem crazy to them.

Assuming that you care two hoots, we would like you to tell us whether you think the advertisements should be written (as the Example A) to please the Directors, or whether we should continue to write them in our own sweet way (as Example B). The Ballot coupon alongside makes it easy for you to do this.

To (Cross out the whole lot if you like and please yourself)

- (A) PICKLES & WALLOP LTD
(B) CRACKLES & ROLLTOP LTD
(C) ACCLES & POLLOCK LTD
(D) CACKLES & HEMLOCK LTD
(E)

STEEL TUBE MAKERS
OLDBURY
BIRMINGHAM

On the distinct understanding that I never read advertisements and would never dream of going anywhere else for steel tubes

I vote for

- (A) EXAMPLE A
(B) EXAMPLE B
(C) NEITHER

and wish to state categorically that

I THINK
I SOMETIMES THINK
I NEVER THINK

that you should

- (A) STOP BOTHERING ME
(B) CHANGE YOUR NAME
(C) RAISE YOUR WRITER'S SALARY
(D) GO FISHING INSTEAD
(E) ASK ME ANOTHER

*Highly recommended

(Directors of Accles & Pollock and other Tube Investment Companies or their wives may not vote except for the one about the Salary)

Signed

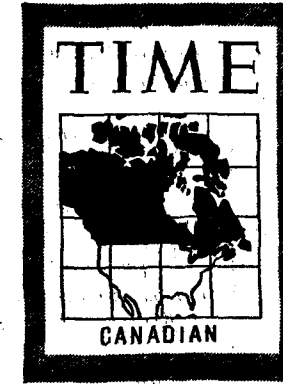
Address

Sell the man at the top!

Influential business men
in over 100 countries prefer
TIME INTERNATIONAL
to any other publication

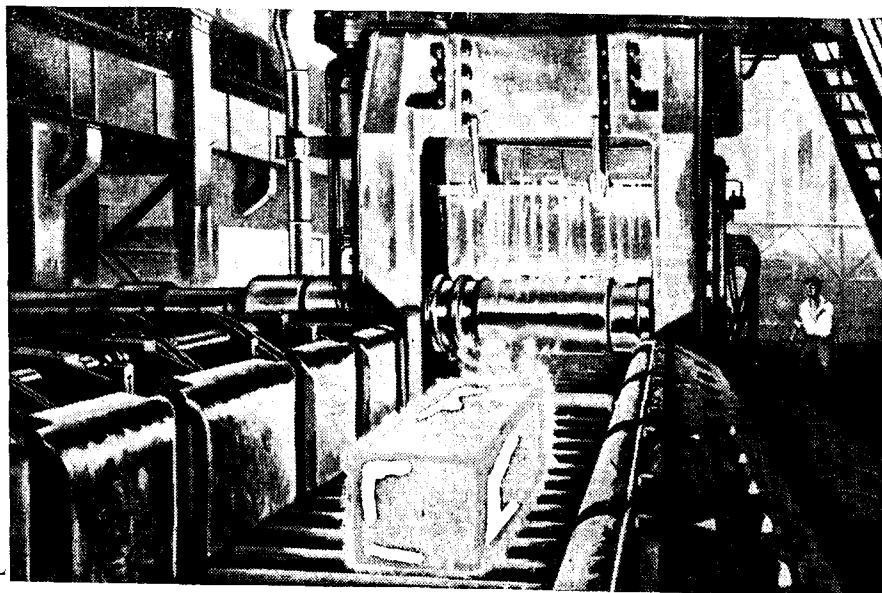
The four editions of TIME INTERNATIONAL, published in English, cover the world's most important markets outside the U.S.A. Every week these editions are read by more than 1,700,000 influential people in over 100 countries. Not only are 92% of TIME INTERNATIONAL subscribers in business, government and the professions, but the world's top business men prefer TIME INTERNATIONAL to any other publication. TIME INTERNATIONAL readers everywhere are the men and women who make trends, influence opinion, and help to determine the trading policies of companies and governments. To the advertiser, these are the people who *shape the course of business throughout the world!*

You can buy advertising space in all four editions—TIME Atlantic, TIME Canadian, TIME Pacific and TIME Latin American—or in the editions that cover the areas in which you are most interested. Full details from: The Advertisement Director, Time International, Time & Life Building, New Bond Street, London, W1



'ENGLISH ELECTRIC'

Massive ingots of white-hot steel are transformed into 15-ton coils of strip 5 miles long at speeds up to 50 miles an hour by the train of mills of which the rolling mill illustrated is the first and biggest unit. Its electrical drive, the largest of its type in Europe, was built by 'ENGLISH ELECTRIC' and consists of twin motors developing 27,600 horse-power.

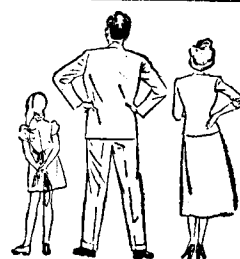


bringing you

Steel plays a greater part in our daily lives than any other metal. Look at this picture and count the number of things in which steel is used — including the 'ENGLISH ELECTRIC' refrigerator, cooker and washing machine. In this, as in so many other ways, 'ENGLISH ELECTRIC' is meeting the nation's needs — by helping to increase our exports and at the same time bring better living to millions at home.



better



living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

The Economist

FOUNDED 1843

SEPTEMBER 5, 1953

ONE SHILLING

The Unions and Socialism	609
Demagogy at Uno	611
Money for Malaya	612
Middlemen of Travel	614

NOTES OF THE WEEK

Invitation to Lugano; Forgotten Formosa; Shuffling at Dinner; Labour's Leaders; The Economical Strike; Help for the Ionian Islands; Fire under Trieste; Malenkov Aid for China; Commercial, Not Sponsored, TV; Federation Begins; Restoring African Confidence; Arms and the Arabs; Progress of the Balkan Alliance; Suspect Soviet Statistics; Settlers' Plan for Kenya; Squalor in Night School; Educating Doctors; Mauritius Goes Labour. 617

BOOKS AND PUBLICATIONS	627
LETTERS TO THE EDITOR	630

AMERICAN SURVEY

Cleavages Among Allies	631
Budget Turns the Corner; Another Pull at the Debt; Insupportable Wool; Reds Disbarred?; Fire changes Gears.	631

THE WORLD OVERSEAS

Electioneering in Germany	637
Bombs in Soviet Press; India and Sheikh Abdullah; Germans Under the Gosplan; Satellite Trade with China.	637

THE BUSINESS WORLD

Where Real Resources Go	647
Limited Freedom for Grains	650

BUSINESS NOTES

No Fireworks at the Fund? The Fund's Sterling Holding; Dwindling Dollar Surplus; The Production Record; Credit Expansion Slackens; Grumbling at Gatt; Engineering Loses Workers; Record Bill Issue; Radio in the Dark; Radio's Foreign Market; Wool Season Opens Cautiously; FCI and Steel; More Dollars for South Africa; Rayon's Peak; Boys for the Jobs? 652

COMPANY NOTES AND SECURITY

PRICES	662
STATISTICS	665

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

The Unions and Socialism

THE eighty-fifth Trades Union Congress is assembling this weekend in the Isle of Man. More perhaps than any of its predecessors, it is important not as a discussion of trade union affairs but rather as a forerunner of the Labour party's conference three weeks hence. The novel and controversial document that will come before the TUC delegates is the report on public ownership prepared by their General Council in response to the instructions of last year's congress. The instructions were to "formulate proposals" for taking new industries and services into public ownership. It was agreed that the formulation could not be, by this month, complete; "priority plans plus a progress report" were required. But they were to be plans that could, after endorsement by this year's congress, be "presented to the political wing of our movement for inclusion in Labour's General Election programme." The TUC debate will thus deliberately embrace the main theme of the party conference's own debate on future policy.

The TUC's influence on Labour policy is by nature more often a limiting than a positive influence. Since the unions provide the solid mass of Labour support, both in finance and in numbers of votes, party policy cannot move far out of line with union policy, whenever that is generally agreed and defined with any approach to clarity. The outcome of the Labour party's debate on nationalisation—whether the new party programme proposes much or little of it—depends largely on the force and clarity of what is said in the Isle of Man next week. There is no question about the direction of the TUC's influence. It will bolster the right-wing view within the Labour party, the desire for modesty in proposals of further nationalisation. The question is whether the TUC will declare itself for modesty with sufficient unanimity, and plainly enough, to put an effective restraint on the enthusiasm of the left-wing politicians for more nationalisation.

The leaders of the TUC, as they express themselves in the General Council's report, could hardly go further in opposing nationalisation. Comment on the report has perhaps fastened too much on the fact that the TUC counsels inquiry and caution in cases, such as the chemical industry, where the draft party policy embraces some—though an ill-defined—measure of nationalisation. This does not, it should be emphasised, represent a sharp division between the industrial and political wings of the Labour movement. The party policy is a compromise between Left and Right. In differing from it, the TUC is merely playing its usual part on the Right. Its report on nationalisation is no cooler than the personal views of many Labour politicians. The difference is that the trade union leaders feel more secure. Views about nationalisation are still, after all, a secondary concern of the trade unions, not a primary concern as they are in Labour policy-making. This helps the General Council to say more nearly what it honestly thinks without being afraid, as the right-wing party leaders are, of being voted down by their own followers. The

range of political opinion among union leaders remains, indeed, almost as wide as it is within the Labour party. But in the unions the greatest strength lies much nearer to the Right, and where the opponents of nationalisation among the Labour politicians have to swallow a compromise view tolerable to the Left, the TUC leaders can say—if they are tactful—what they think.

Tact is important. The General Council would be in hotter water than it likes if it did not give at least a temperately favourable verdict on the performance of the nationalised industries. British trade unions rejoice in that fundamental kind of conservatism which insists that what has once been thought must remain, in all essentials, true: at the worst, it may not be quite applicable to changed circumstances. This is the only intellectual process by which the TUC can abandon nationalisation. What it thinks now must be presented as the logical development—and a development no more than external changes require—of what it said in the 1944 report on postwar reconstruction. And if this is so with ideas, it is inevitably more so with emotions. The TUC may boast of an empirical attitude, settling the future of each particular industry on its merits, but the delegates would not brook any open doubt about where the General Council's heart lies: it does not need to be for socialism; but it must certainly be, as a general rule, against capitalism.

★

These things determine the form and manner of the General Council's report. If that is understood, its contents are seen to be more definite than has yet been generally recognised. They are not merely counsels of caution and moderation, of investigating further before making decisions. That is the General Council's slogan, not its detailed argument. The left-wing Labour politicians would like everyone to believe that it stops at the slogan; since caution is obviously not enough for a party programme, that would leave them with a fairly free hand. But the ways of the TUC should by now be familiar enough for it to be understood that the report goes far beyond caution about nationalisation. It goes against nationalisation. The present leaders of the British trade union movement have now said—with a wealth of detailed argument, and as clearly as the customs and folklore of the movement permit—that in their judgment any further nationalisation would almost certainly do no good, would probably be bad, and might even be disastrous.

To this there is one exception. The TUC favours the nationalisation of water supply. Significantly, it says so in six lines. It goes into no detail, although this is the only one of the required "priority plans" that the General Council is submitting to the congress. It also makes some tentative gestures about land and distribution, but these are obviously of minor concern to the industrial wing of the labour movement. All the remainder of fifty closely-printed pages presents, formally, the required progress report on the General

Council's thinking about public ownership. In fact, it is a sustained presentation of the case against further public ownership. Though the conclusion about many of the industries discussed is not a direct negative, but rather an admission of the scope for further discussion with or by someone, the "progress" is plainly of the sort that is intended to lead nowhere. The TUC does not share the naivety of one constituency Labour party which, in the resolutions for the annual conference, wants to declare that the next Labour Government will obtain such information as "will enable it to completely justify the replacement of free enterprise by nationalisation." The TUC does not prejudge inquiries so ostentatiously, but there is nevertheless no doubt what conclusion the General Council would hope and expect to emerge. Water always apart, it is opposed to any further experiments—for the present—in public ownership.

Even this "for the present" is not a very serious limitation on the argument. The TUC examines in a most sober and realistic spirit the economic position of Britain and the need for bigger exports. It concludes that in five years' time visible exports ought to be 20 per cent bigger than in 1951, which raises the famous postwar target—75 per cent more exports than in 1938—yet further, to 115 per cent more than in 1938. The TUC says—by implication, but plainly enough—that further nationalisation is largely irrelevant to this task. It might help in some respects and hinder in others, and the balance is hard to weigh; from which few reasonable men will fail to conclude that experiments in public ownership are best left alone. And this cannot be a conclusion merely for the very short run. The TUC fosters no illusions about the difficulty of exporting 115 per cent more than in 1938. If the unions see the country's economic needs in such terms, they cannot imagine that a purely temporary crisis is involved. To abstain from further nationalisation is not a prescription for riding out a short-lived storm, after which the march to socialism can be resumed. On the contrary, the arguments against further nationalisation are based on the permanent conditions of life for Britain in the second half of the twentieth century. The TUC's conclusion applies not to the party programme for one election, but to the foreseeable future.

★

It may be doubted whether many members of the General Council are looking so far ahead. The fact remains that in their pragmatism about present policy they have given at least some indications of long sight as well as of clear sight. It is a pity that their views are wrapped up in a lengthy report, which few of their constituents will fully digest, but this must be accepted as one of the facts of trade union life. It does not lessen the praise due to the union leaders for their courage and realism.

It is too early to speculate about where all this may lead to. It may prove to be a false start, or it may, on the other hand, be the beginning of a definite divorce

between British trade unionism and socialist theory. Even the immediate reactions of the delegates in the Isle of Man cannot be confidently foreseen. The General Council will certainly be accused of a lily-livered betrayal of proletarian interests. But if the volume of criticism is not too great, and if the General Council sticks to its guns, the report should have a powerfully moderating effect on the Labour party. It may at least restrain the annual conference from injecting into party policy more nationalisation than the draft programme already contains. That is one thing, and welcome.

It is quite another to know what Labour policy will be if it is not more and more nationalisation. The TUC, in discussing the aircraft industry, goes so far towards making its peace with private enterprise as to say that "the profits made by the firms are in the

Demagogy at Uno

THE spectacle of the United Nations preparing the Korean peace-making has been something more than disappointing. It has been alarming, sordid and unpleasant: alarming because the prospects of peace may have been made worse rather than better; sordid because of the blatant vote-gathering that went on among the recognised clients; unpleasant because of the rudeness and impatience—a kind of Vyshinsky-Dulles measles—that characterise its methods of negotiation. Personalities, it is true, were partly to blame; governments, too, had been less efficient than they should have been in telling one another of their intentions; but much of the blame falls on the working methods of the United Nations. That body, having enormously increased its prestige by opposing aggression so promptly and efficiently, has fallen below its opportunities; there must be something seriously wrong with an organisation that can, in less than a fortnight, bedevil a vital political conference, estrange the United States from its allies, and—incidentally and quite gratuitously—put a spoke in the wheel of Indo-Pakistan rapprochement. In the past some of the nonsense that goes on in the Assembly has been defended as a valuable letting-off of steam that might otherwise produce explosions. On this occasion the steam has very nearly blown away the chances of peace.

The chief cause of this sorry record is persistence in a method of diplomacy that does not work. Open diplomacy is, in fact, a contradiction in terms. When a diplomatist has a public audience something changes in him. He begins to make debating points, to seek effects and generally to behave as though it were his business to make a case and not to settle one; he becomes an advocate instead of a diplomat, and he merely brings the belligerency of the battlefield back into the council chamber. This weakness is inherent in all but the best of human natures, but its temptations

nature of an agency fee for managerial skills, and are also a price worth paying for the continued smooth running of the industry." The General Council may now be near thinking the same about other profits, but the Labour movement as a whole is still very far from admitting what freedom must be allowed to private enterprise if it is to do the job for which faith in public ownership has been lost. The alternative to an aggressive socialism in British Labour politics is still a vacuum, not a new political philosophy. And as long as it is a vacuum, any victories of the right-wing over the left-wing are likely to be temporary; they are holding operations, which will not prevent socialist doctrine from reviving whenever circumstances change. But at least the TUC has helped to clear the ground for an alternative policy if the Labour politicians are capable of devising one.

and effects are greatly increased—especially in the United States—in an age of popular journalism, radio and television. To ask Mr Lodge, for instance, to address the Assembly last week without giving a thought to the watching American public, is to ask the impossible. Consequently, his contribution to the problem of picking the members of the coming conference consisted in taking up a number of positions prepared beforehand (largely under pressure of public opinion) and refusing to budge from them. If the discussions had been private, he would have found it easier to explain and, if necessary, to modify positions which caused such embarrassment to his friends.

This is not to say that the record of secret diplomacy since the war has been one long triumph. Defenders of the United Nations may legitimately round on their critics and ask whether negotiations "through channels" about Germany and Austria have led to anything but frustration. The answer is, that they have at least not made matters worse in the way that the United Nations made matters worse last week. Indeed, if success be measured in terms of achievement, then secret negotiation has had its triumphs. The Japanese peace treaty was negotiated—by Mr Dulles—in secret; the North Atlantic Treaty was negotiated in secret from start to finish; the Berlin blockade was lifted as a result of secret talks; discussions behind closed doors on the Coal and Steel Community and on the European Defence Community achieved the not inconsiderable success of bringing France and Germany together on a number of points. Whether or not one approves of the results in these cases is here irrelevant; the point is that the end aimed at was achieved. Even the Saar, that thorn in Europe's western side, has been discussed sensibly and profitably by M. Schuman and Dr Adenauer; one has only to try to imagine what would happen if the Saar got on to the agenda of the United

Nations to realise the dangers of that organisation's present methods.

The experience of the last few years, reinforced by the events of the last few weeks, shows that the United Nations is going about its business in the wrong way. Its purpose is to settle international disputes and to lessen international tensions; but its machinery of public debate is being used for exactly the opposite purpose. It is difficult to believe that this is the only way in which the United Nations can function, and it should not be beyond the wit of Mr Hammarskjöld, the Secretary-General, to devise within Uno additional and more suitable working methods. Those who take the easy course of attacking the organisation lock, stock and barrel are wrong; it is not necessary to pull down the whole house in order to regulate the temperature. And those who, like Mr Dulles, place their faith in changes in the Charter are probably equally wrong. Tinkering with the Articles is not going to make very much difference, even though certain changes could usefully be made. For example, some method must be found of altering the permanent membership of the Security Council; the present arrangement specifies five states as Great Powers in perpetuity, but facts will one day make this proposition look silly.

Money for Malaya

DISCUSSIONS are now going on to determine the amount of further financial aid that Britain is to give to the Federation of Malaya in the early future. The Federal Government recently took the unusual step of announcing the fact of Britain's intended gift in principle, immediately after the meeting of the Executive Council, which followed the return from London in early August of the deputy High Commissioner, Sir Donald MacGillivray. The circumstances that give rise to this chain of events deserve to be more widely appreciated than they are, since they are certain to have a lasting effect on Britain's relations with the whole of southern Asia.

For almost exactly six years—the anniversary fell a fortnight ago—Britain has had a unique credit balance of goodwill in southern Asia, created by the manner and timing of the transfer of power to India and Pakistan in 1947. From time to time this balance rises or falls with the give and take of international life, but on the whole it falls. Meanwhile, during five of the six years that India and Pakistan have been independent, the struggle between Communist terrorists and the government has been raging in Malaya, a territory in which Britain still rules as the supreme power, although in some respects only indirectly. Since the war Malaya has, in fact, taken the place that India used to occupy as the focus of British interest and responsibility in southern Asia. Conversely, it is by their handling of

The United Nations has two principal functions in handling international disputes: to act to prevent aggression, and to settle and conciliate. In Korea it has shown that it can do the former but that, in attempting the latter, it is likely to open more wounds than it heals. The enforcement function depends on the will of the members; enough of them have shown that will. But the conciliation function depends not on will (which is no doubt abundant) but on skill, and on providing the right opportunities and environment for the exercise of skill. Mr Hammarskjöld is fortunate in having come to office after the United Nations had shown its mettle when provoked. He does not have to worry too much about will, but he does have to worry more about skill. He could do the United Nations no greater service than to devise ways of making it a more effective forum, not for squabbling but for settling. But no amount of ingenuity and vigour on the part of the Secretary-General will make any difference unless he has the backing of the Great Powers. If he is allowed to fail, then either the United Nations will go on doing more harm than good in the sphere of peacemaking or it will be abandoned, and the Great Powers will return to secret diplomacy in places where there is neither television, nor a dollar problem, nor a Latin-American bloc.

the problem of Malayan nationhood that the British will in large part be judged by Asians.

This problem of Malaya's political development has been posed neatly and completely by the Executive Council's recent announcement in Kuala Lumpur. The British government has come to the financial assistance of Malaya several times since the emergency began in 1948, but on this occasion there are two special new factors. The fall in tin and rubber prices has slashed Malaya's own revenue severely, and the military demands of the emergency, while still costing a great deal, are giving way to the longer term political needs of the future. The drop in Malaya's own revenue has thus occurred at the very moment when a new and ultimately vital stage must be developed in the political life of the country. Britain is therefore symbolically confronted, in terms of hard cash, with the immediate question of helping to frame and finance a social economic and political policy for Malaya, which may end by costing as much as the struggle with the Communists.

On several occasions since the war Britain has promised Malaya the eventual freedom to choose its own course, either inside or outside the Commonwealth. One of the most categorical promises was contained in the directive issued by Mr Oliver Lyttelton on behalf of the Conservative government to General Sir Gerald Templer, the present High Commissioner, when he

went to take up his post early last year. In order to be in a position to exercise any such choice, however, Malaya has not only to develop a democratic system of representative government, but must create a sense of nationhood by bridging the deep divisions which still exist between the main races in the community, Malay, Chinese and Indian.

The emergency created by the Communist terrorist attacks appears to be reaching the end of its more critical and violent phase. By the fifth anniversary of the outbreak of the insurrection on June 16th, 6,304 Communists had been killed or captured at a cost of the lives of 2,848 civilians and 1,563 members of the security forces. General Templer has given full warning that in this kind of warfare there is unlikely to be any sudden or complete victory in the sense that attacks of all kinds will cease. But now that the scale of the menace has been greatly reduced, the basic long-term problem emerges more clearly. Put at its simplest, it is: how and when is Britain to leave Malaya? No one who recognises the facts of Malayan life believes that any date should be set in advance. In reality, it will take at least a generation to bring this multi-racial community to the point where it stands a good chance of not becoming another Burma. Political pressures, however, are virtually certain to force the pace, and some day a date will have to be set. The difficulty is that to name a date far ahead is to play into the hands of the ultra-nationalists, while to name one too soon is to undermine the confidence of those who have placed their faith in Britain's ability and determination to honour its word, that Malaya will not be prematurely surrendered to the domination of any one section of the community.

Although voices are often raised in Malaya with the cry of independence, the first question to ask is what they really mean when they use the word. No country in the modern world can be truly independent if it is threatened by powerful forces from without and by sustained insurrection from within. Independence is often a mere catchword which no longer means either what it used to mean or what those who use it unthinkingly expect it to mean. When they speak of independence for Malaya many of them really picture a state in which the country is sufficiently at peace, and has the freedom to choose its own form of government and to run its own affairs. At present this is not attainable, however, without the help and protection which Britain is in a position to afford.

For the British the problem presents itself in three forms. One is the task of developing a genuine electoral system designed to function within the complicated framework of the existing constitution, which is based on treaty rights for the Malay sultans; a special commission is in fact just beginning to work on the whole federal electoral question, and action should be possible on its findings during the course of next year. Another aspect of the central problem of preparing Malaya for eventual independence is the need to promote the political advancement of the Chinese who, even in the Federation, now number nearly half the

population. A third, and perhaps the most difficult task of all, is to ensure greater Malay participation in the economic life of the country; attacks must be made on the rural backwardness of the Malay villages and an attempt undertaken to assist the Malays to hold their own in commerce against the more go ahead Chinese.

Without some measure of success in each of these three fields it is idle to talk of Malaya being ready for self-government, let alone complete independence. Indeed, it is knowledge of this fact that makes some sections of each community fear that the British may yet be hustled into premature evacuation by Communist pressure or by cynical exploitation of pseudo-nationalism; the Malays are already afraid that the Chinese would swamp them and the Chinese that the Malays would deny them their basic political rights. In spite of the emergency, some tangible progress has been achieved in each of the three necessary directions. Municipal elections have lately been started in the larger towns. Laws have been passed through all the stages of the laborious constitutional machinery to extend the range of citizenship to the Chinese, in accordance with decisions painfully hammered out in the Communities Liaison Committee. And a beginning has been made in helping the Malays to assume a more effective economic role in the community.

★

It is only necessary, however, to examine this progress in any detail to see at once how relatively little has been done and how much there is to do; in two and a half years, for instance, RIDA has only spent what goes on the emergency in ten days. A remarkable start has been made considering the crippling burden of the emergency, but only a relaxation of the many special emergency regulations and a loosening of the purse strings for normal civilian purposes can really speed things up to the rate which should be the aim. The slackening of the Communist attack at last makes such acceleration possible, and it is precisely at this moment that financial help from Britain could and should prove to be of the most value; this help is particularly needed now, since security precautions must also continue at a high rate of expenditure for some time yet.

Britain has nailed its flag to the mast of a multi-racial community in Malaya. It is the official view that only by ensuring that loyalty to this new and composite little country overrides the deep traditional loyalties of race and religion can a free and self-governing Malaya take its place among the nation-states of South East Asia. This multi-racial community is nevertheless a high ideal, of which history unfortunately offers very few successful examples—though to aim high is no whit less praiseworthy for that. Indeed, there seems little real alternative, and progress so far is not entirely discouraging. In Malaya itself a beginning has been made by political alliances between members of the United Malays National Organisation (Umno) and the Malayan

Chinese Association. In England the teachers' training college at Kirkby near Liverpool, where 300 Malayan teachers of all races are being groomed for the new schools programme, is an inspiring success. But it is one thing to have an ideal and another to let it run away with policy. There are many incalculable difficulties ahead, including the simple fact that once the emergency is really out of the way the centrifugal forces in Malaya may well gather new strength. What

Middlemen of Travel

THE public travels more than ever, both on business and pleasure; at one end of the scale businessmen fly to export markets and officials to conferences, while at the other holidays-with-pay have swelled the annual migration to the seaside, to the country and to "abroad." It looks a good wicket for the travel agent—and the public sometimes feels vaguely suspicious of the ubiquitous middleman of travel whose stock-in-trade seems confined to a windowful of posters, a counterful of leaflets, some timetables, a telephone and a rack of railway tickets. It looks easy money—even if changes in foreign currency allowances or strikes in France land him in trouble from time to time.

Holidays for the masses have been big business for decades and travel agency services have grown with it. But travel agents are far from admitting to any windfall profits since the war. Though in 1952 their turnover was nearly three times that of 1938—the best interwar year—the volume of business was no greater. Tours which cost £1 a day before the war cost £3 or £4 a day now. Costs have soared proportionately, but the productivity of counter clerks has not risen. The amount of work involved in arranging each individual journey has increased. The rate of commission varies from 5 per cent on railway tickets and 7 per cent on airline bookings to ten per cent on continental hotels, and perhaps averages 8 per cent; but it is now difficult for a large agency to make a profit on much less than 9 per cent of turnover.

Eight per cent may seem plenty for handing over some railway tickets, making some reservations and providing an itinerary; but it is skilled work. The public gets a service based on knowledge which takes a long apprenticeship to acquire: knowledge that makes all the difference, in terms of an undelayed journey or an unspoilt holiday, and is, therefore, unusually valuable. Inevitably, travel agents handle overseas rather than home travel. They arrange nearly all the 3,000,000 passenger journeys into and out of Britain annually—but probably not more than one holiday in ten is taken abroad. Of those taken at home, travel agents arrange mainly coach tours, a small if growing part of the total.

From their inception, travel agents thought of their function largely in terms of guided or inclusive tours; the only individual traveller who repaid the

is needed is patient and ungrudging help from Britain, a cool refusal to capitulate to political pressure wherever it may come from, and the determination to push on with those policies of which the foundations are now being laid. That is why more financial help is now required from Britain, and why the present discussions between Whitehall and the government of Malaya should be approached in as broadly generous and imaginative a spirit as the Treasury will permit.

trouble spent on him was (and is) the first-class passenger. The history of travel agency work has been the steady extension of the trouble-free, "packaged" tour to a widening public: the luring of the middle, lower middle and finally artisan classes abroad. The inclusive tour, whether conducted or unconducted, for which a lump sum is paid in advance and the difficulties of commerce with the natives are reduced to a minimum, is the staple of the travel agent's business and is, for carriers and hoteliers his *raison d'être*, for by it he creates new traffic, and new demand for holidays; with it he trains fresh generations of timid Britons to take to continental travel as an annual matter of course.

★

The inclusive tour, moreover, really pays. Individual items on the bill are not stated, and for large parties (even if they proceed as individuals) the agent gets special terms, from railways and hotels and from local bus operators. His profit margin on inclusive tours ranges up to 25 per cent, and is the means by which he offsets his less profitable lines. But costs are high. Tours must be planned in advance with a thorough knowledge of what the buyer will get, there must be plenty of choice, current travel fashions must be foreseen, sales literature must be attractive, and finally a skilled sales force must hook the enquiring prospect when he reaches the counter.

Competition is keen. About 370 travel agents are members of the two trade associations, the Institute of Travel Agents and the Association of British Travel Agents; but about 500 agents exist outside these bodies; some, of mushroom growth, seem to mulct their customers. The "big nine" organised in the Creative Travel Agents Conference, did about £44 million of the total £60 million spent with travel agents in Britain in 1952. These nine—Cooks, Frames, Dean and Dawson, Lunns, Pickfords, the Workers' Travel Association, Wayfarers, Co-operative Travel and Polytechnic—combine to run special British and Continental trains with pooled courier services, for which they get special terms; but the competition between them is unrestricted. Their respective holiday "guides" are closely compared, for price and quality,

every spring in thousands of British homes. Shillings count when a family of four is going on holiday.

Running a small agency may seem an attractive way of making a good living. So it is for the skilful few who know the business. But mortality in travel agencies compares fully with that among shops. Little capital is needed, but it is impossible to make a living from selling railway tickets except on the largest scale. Small agents are less dependent on the inclusive tour than the larger, and can make a profit out of individual service. The most successful among them are specialists—and probably half have served their apprenticeship with one of the big nine. They seek the coveted accounts of large firms who regularly send representatives abroad by sea or air. When selling holidays, they may specialise on particular territories which the proprietor knows well, and where he can not only get good commissions, but pay special attention to the little details which make up the whole impression—the wines, for example, or the arrival timed to coincide with the floodlighting of historic buildings, or excursions to little-known and charming places.

Many of the smaller agencies, particularly in the provinces, specialise in their clientele; they learn exactly what the inhabitants of a particular suburb, the workpeople of a particular firm, will take in the way of a foreign tour, and arrange it to formula. One agency deals with travel by cargo boats or British railway steamers, another covers sporting events, another arranges theatre and opera tours through Europe; others, again, specialise in scientific conferences. Such enterprise creates traffic for carriers and hoteliers and resorts as surely as the massed tours organised by members of CTAC; the smaller firms are often highly enterprising.

But neither for big nor for small agencies has the postwar holiday boom provided easy profits. It is doubtful how far restriction of foreign currency allowances has cut turnover, except when the allowance was reduced to nil and spoiled one winter sports season. It has been estimated that when the basic allowance was £50, the average traveller spent £42 on a continental holiday at the travel agent, of which £15 represented his fare, and was paid in sterling; only £27 came out of his allowance (for accommodation and service) leaving him £23 spending money. This was probably more than the average tourist needs for extras and souvenirs to smuggle triumphantly through the customs at Dover. On a £25 allowance, however, no spending money would be left, which meant very

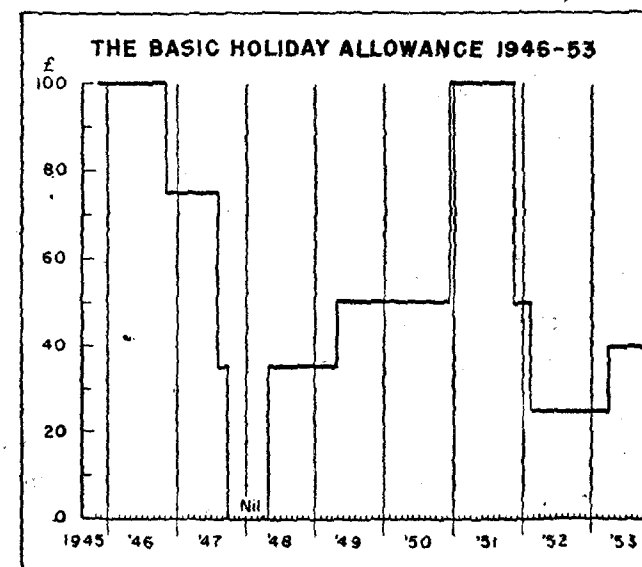
austerely planned holidays; the £40 allowance, leaving £13 for personal spending, is held to be fairly adequate. But such restrictions do cut out the once-remunerative first-class passenger. However, even Americans travelling for pleasure, and uplift spend much less on the average than before the war; and the place of the first-class passenger is now taken by the business man with his special allowances.

More inconvenient to agents have been sudden changes in the allowance, either requiring last-minute economy cuts in advertised tours or coming too late to arrange additional comforts. In either event the agent loses commission, good will and business. Changes in fares have also hit agents. Since the war, too, the playground area has narrowed. Eastern Europe is off the menu, though the immense popularity of Yugoslavia this year may indicate the potential sterling earnings forgone by the people's democracies. Dollar countries are also excluded. Nor have the popular

prewar sea cruises come back. Agents used to charter liners from the Australian run in the off-season at 15s. per cruise passenger per day. Emigrants are now keeping the ships filled all the year round, while operating costs have leapt up. Limited foreign exchange allowances have made it chancy to seek to popularise areas further out—North Africa, for example. The tightness of the people's purse is the deciding factor—this and the aggressive selling of the coach tour operators at

home have kept down the demand for foreign travel, despite increased expenditure on holidays and leisure.

Are travel agents enterprising enough? Perhaps the first question that should be asked is whether they should, as on the continent, be registered, to prevent the frauds which are still perpetrated on the public. That problem apart, agents have done much to develop new forms of travel. The effort to develop continental bus tours ran up against the effective opposition of the French railways; but travel agents were largely instrumental in converting the airlines to the wisdom of developing tourist services at tourist fares, by chartering aircraft for parties at what were in effect tourist rates. Tourist air travel has immense possibilities. The first effect is to lengthen the actual holiday; the next effect should be to encourage holiday-makers to go much further afield. It may not be fanciful to foresee the day when "Commonwealth holidays" for the masses will provide agents with far bigger returns than ever did the "Maharajah and grouse moor" departments of a bygone age.

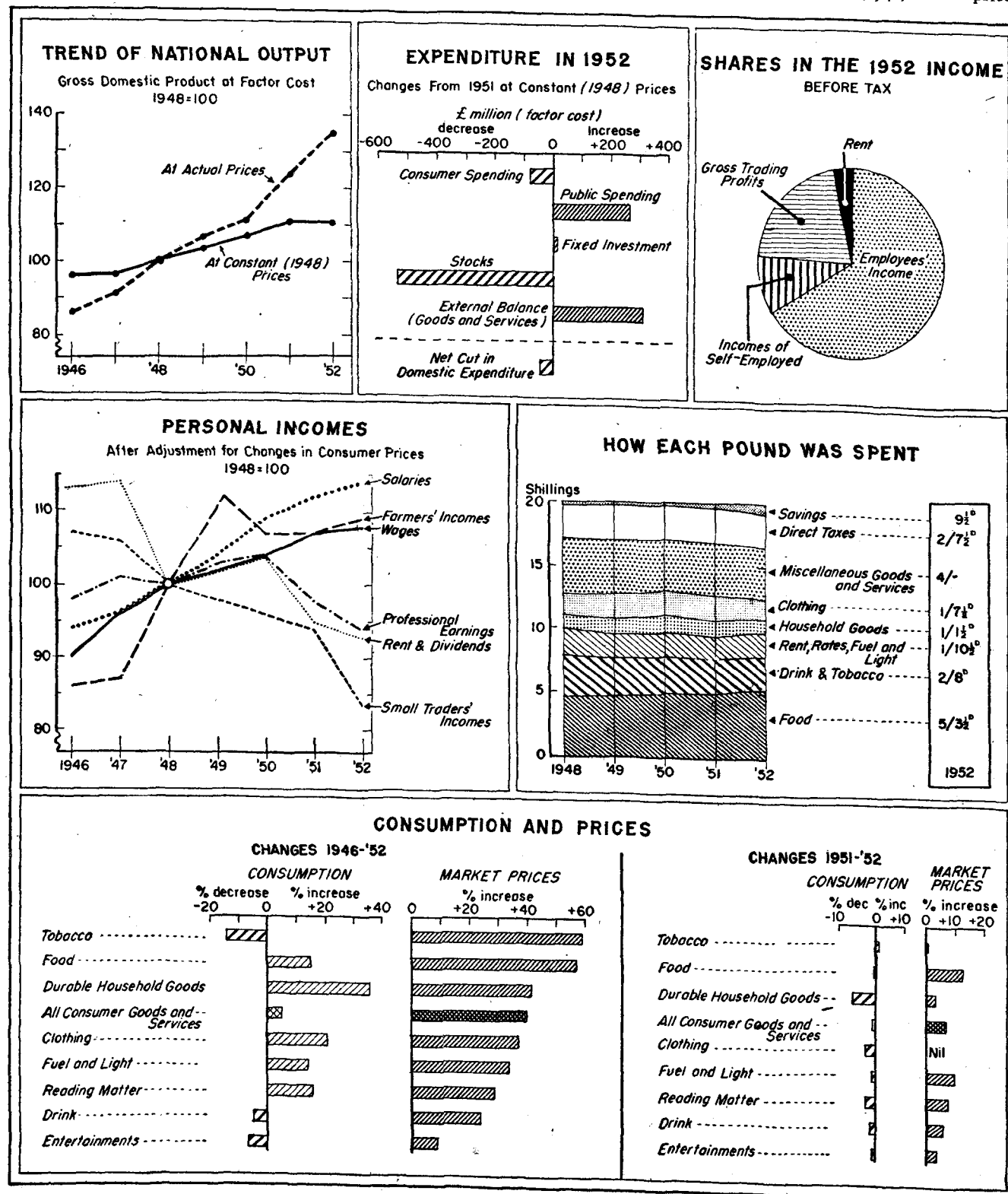


The National Income

THESE charts illustrate some of the findings from the latest blue book on national income and expenditure, which is discussed on page 647. The three top charts show what has been happening to national resources and their use. The gross domestic product as factor cost (which is less than the national product by the amount of net income received from abroad) was valued at £13,525 million in 1952—35 per cent higher than in 1948 in money terms, but only 11 per cent higher in real terms. The fall in real product in 1952 was met by a cut in personal consumption and by less stockpiling,

while more resources were used by the Government.

The remaining charts all relate to personal incomes and personal spending. The fourth chart shows the real movements in incomes after allowing for price changes, but incomes of small traders and farmers include provisions for depreciation and stock appreciation. Employees' incomes in total have kept ahead in the race against prices; those of small traders and those from rent, dividends and interest have fared worse. Changes in the pattern of real consumption are measured in the bottom chart at constant (1948) market prices.



Notes of the Week

Invitation to Lugano

THERE is just a dash of Churchill and not too much cold water from Dulles in the latest western Note to Moscow about Germany. In his speech to the Supreme Soviet, Malenkov asked for a return to more normal diplomatic methods—for he clearly finds that Soviet methods have boomeranged—and here it is. The Note is brief, courteous and businesslike; there is a precise invitation to Lugano—not, be it noted, Locarno—on October 15th; there is a suggestion that progress on the problems of Germany and Austria “could be expected to pave the way for fruitful discussion of other major questions.” The previous allied insistence that a unified and independent Germany must be free to form what alliances it pleases is presented in less emphatic form, doubtless out of consideration for the fear that Malenkov has expressed that the European Defence Community with Germany in it would be a vehicle of aggression against the Soviet Union. The Note gives nothing away, but makes it difficult for Moscow to refuse negotiation on reasonable grounds.

Indeed, Molotov may find himself not a little puzzled. On Sunday take place the elections that will determine whether Dr Adenauer and his policy of integrating Western Germany with Western Europe and the Atlantic Alliance are to survive. The chances are that they will, and sturdily. If Dr Adenauer wins, then Moscow's chances of stopping German rearmament and the ratification of EDC will have fallen steeply. If he loses, Molotov will want to exploit the obvious desire of the Social Democrats to appease Moscow if the chance is offered. In either case it would surely pay the Russians to talk with the West. On the other hand, there is no denying that the last few weeks have shown Soviet policy to be getting less rather than more conciliatory.

★

What may impress the Kremlin most is the possibility—which cannot be due to mere coincidence—that the conference with the Chinese on Korea might begin in Geneva on the same day that the Russians are invited to attend in Lugano. In other words, it would be possible to link, if necessary, the discussion of Asian and European problems by informal means. Mr Eden and Mr Dulles could disappear over the mountains and lakes with Molotov and Chou En-lai, as Briand and Stresemann did seven years after the first world war. It is difficult to believe that American policy has, at the moment, any such intention; and it is doubtful whether it is British policy to mix up Asian and European matters at this stage. But the bait for the Communists is there, and if they refuse it their desire for peace will become more suspect to the West than it is

already. Those who drafted the Note are to be congratulated on showing that negotiation from strength can be conducted with skill, restraint and a touch of imagination.

Forgotten Formosa

THERE are signs that Washington is impressed by the growing international support for getting the Peking Government, by some means or other, into the United Nations. But advice offered from the sidelines, like the recommendation this week from the Scandinavian governments' meeting in Stockholm, will have little effect if it shows no grasp of the Administration's basic difficulty. This is that the United States could hardly hope to be able to continue support of the Nationalists in Formosa if Communist China were represented at Uno. For if it were voted into the Nationalist's seat as the *de jure* government of China, one of its first acts would probably be to accuse the United States of aggression in helping a rebel faction. Some, at least, of the states that had voted in favour of the Peking government would then feel bound to condemn American policy in Formosa. This would create between the United States and its friends a rift much more dangerous than anything yet experienced at the United Nations.

The fact that Formosa's future is the real difficulty in this controversy is little understood on this side of the Atlantic; and the Americans have increased the misunderstanding by setting the whole matter of Peking's claim to China's seat on the high moral plane of not allowing an aggressor to shoot his way into the United Nations. Hence the widely spread impression that a rigid and doctrinaire American obstinacy is at odds with British realism and desire for peace. Actually it is two sets of facts that are at odds: on the one hand Communist China, with massive supplies from the Soviet Union, controlling the mainland and acting as a great power in the Far East; on the other hand Nationalist China still holding Formosa with American assistance and protection.

If any general negotiation about Far Eastern matters is to follow or accompany the effort to patch up peace in Korea, it will have to take account of these realities. Until there has been a complete change in the mood of international relations the only basis for peacemaking is acceptance of the situation that actually exists—a principle that cuts both ways. If the Peking Government is to be seated in the United Nations without acquiring a legal right to upset the present arrangements in Formosa, it may be necessary to recognise the latter as an independent state. There is no more prospect of the Americans abandoning the island to Communist conquest than there is of the Chinese abandoning North Korea to Syngman Rhee.

Shuffling at Dinner

OVER the dinner table at Chequers Sir Winston Churchill continues his intriguing discussions with ministers. Mr Butler and Mr Crookshank have followed Sir Walter Monckton, Mr Harold Macmillan and Mr Anthony Head in these visits to the Prime Minister's summer home; as one ministerial car after another makes its way up the drive amid the Chiltern beeches, speculation about a Cabinet reshuffle inevitably grows. The rumours are likely to be well founded, in the sense that some ministerial changes are certain to be made well before Parliament reassembles next month. What is still uncertain is their extent. Will they affect the real centre of political power in the Cabinet, or will they concern only ministers who, however important in the administrative team, are politically of secondary account?

This uncertainty arises because one central fact is still obscure. It is whether Sir Winston will by October be fit enough to face once again the full rigours of a Parliamentary session. The indications are that he fully expects to do so, and in that event Mr Eden is likely to remain at the Foreign Office and the other changes will not affect the main structure of the Cabinet. They will probably be confined to those ministers, such as the "overlords," whose functions have through the passage of time (or of legislation) become less necessary, or whose value in counsel has turned out to be less than was promised. But if the Prime Minister proved unfit to stand up to all the buffeting of the day-to-day battle in Parliament, the changes—probably carried out in two stages—would be great. Presumably Mr Eden, if his health is good enough, would then—in, it may be assumed, a second and major reconstruction, rather than in a preliminary reshuffling before Parliament returns—leave the Foreign Office to become at last a full-time Deputy Prime Minister. His official title would probably be that of Lord President of the Council, and he would take over the leadership of the House of Commons. That would bring the withdrawal of Sir Winston from the Premiership (though not necessarily from the Cabinet) well into sight, for it seems clear that Mr Eden has no intention of giving up his department until the time for his succession to the head of the Government is near.

Labour's Leaders

STRENUOUS efforts are now being made within the Labour party to prevent an ugly rift from developing at the Margate Conference, when Mr Herbert Morrison and Mr Arthur Greenwood are due to appear as rivals for the treasurership of the party. Mr Morrison has the backing of several influential unions in his bid to regain, in this way, the seat on the party executive which he lost in the Bevanite landslide last year. But "Uncle Arthur" Greenwood, who seeks re-election after holding the post for nine years, is not only personally popular; he can count on the Bevanite antagonism to Mr Morrison among many constituency associations. In such a contest victory might harm Mr Morrison's prestige only a few degrees less than would defeat.

In order to provide a way round this difficulty, the seamen's union has proposed the drastic step of amending the party constitution so as to give the deputy leader of the Parliamentary party a seat *ex officio* on the executive, a right at present extended only to the party leader. This would carry Mr Morrison safely back on to the executive. But even Labour party constitutions have their rigidity, and it is doubtful whether the change could be authorised before the early stage of the conference at which polling is due to take place for the new executive, including the treasurership. Mr Morgan Phillips, the party secretary, thinks it could be, but the Bevanites have plenty of lawyers fully capable of arguing that it should not. Mr Bing and Mr Sydney Silverman could hardly miss such a golden opportunity for their talents. Patching the rift may be by no means easy.

The nominations for the other places on the party executive, announced last week, show that this year the Bevanites will contest all seven seats in the constituency section, as against the six they fought—and won—last year. This is not, as appears at first sight, a sign that they are increasing their pressure for power, and that a renewed outburst of strife within the party is in prospect. Since Mr James Griffiths, the one non-Bevanite elected last autumn in this section, is almost certain to hold his seat, the Bevanites run the risk of spreading their support more thinly over seven instead of six candidates. They may, indeed, be regarded as having eight runners in the field, for Mr Mark Hewitson, who has been dropped by his union as a candidate for the trade union section and is running for the constituency group instead, shares the Bevanite view on many matters.

A final point of interest emerges from the official Labour statement on these events. Despite the apathy which every observer knows to be widespread in both the main political parties, the membership of the Labour party continues to increase. At 6,100,000, it is now 250,000 above the figure for last year. The increase cannot, moreover, be explained away simply by rising trade union membership; over a half of it was in the individual members of constituency parties, who now number just over one million.

The Economical Strike

THE Electrical Trades Union, having felt its muscles, has again shown that it would rather strike than negotiate. Its well-planned strike of workers in the electrical contracting industry last week forced employers to reconsider a rejected wage claim, although there was reason to think—in spite of some ambiguous replies by the employers—that a little correspondence might have achieved the same result. The strikers were duly back at work when the joint industrial council for the industry met on Monday. But it then appeared that the employers' representatives had no offer to make and that they wanted time to refer the claim to their branches. They promised an answer within a fortnight, but this was too long for the union leaders. Their attitude is that the employers' representatives should have come, as they themselves did, with plenipotentiary powers, that further delay is unacceptable when the wage claim was presented as long ago as February and the strike threatened as long ago as July. They immediately called the strike again, and in an access of special spleen they have

seen to it that all those who are negotiating for the employers have personal experience of the strike in their own firms. All this is too precipitate, as well as too vindictive and too smart, for the electricians to expect any public sympathy.

With or without public sympathy, however, the electricians are in a strong position. They are even stronger since the proprietors of the exhibition hall at Earls Court, in order to avert fiasco at the Radio Show, have given the strikers—including those who had been working for outside contractors—all that they asked. There is little hope that arbitration can end the deadlock, for the union has declared that it will not accept it. The employers are thus in an acute dilemma. If they now take a firm stand the strike could last a long time, for even when it is extended to some 5,000 men, as the intention is, it will still cost the union little in proportion to the dislocation it will cause; and, for a union with Communist leaders, the dislocation may even be partly an end in itself as well as a means of exerting pressure. If, on the other hand, the employers now offer a wage increase it may be a considerable encouragement to other unions to try similar tactics. The engineering union, in particular, might also be able to call out a few key men to support a wage claim affecting some three million workers. It is a disturbing situation.

Help for the Ionian Islands

THE devastated Ionian islands have been the object of a spontaneous and admirable first-aid operation by governments, organisations and individuals in a score of countries. Now the Greek authorities are busy assessing the damage, working out reconstruction plans and counting the cost. Over 380 people were killed in the three islands and over 760 injured; about 90 per cent of the towns and villages were destroyed; over 20,000 houses were ruined beyond repair; the total damage has been tentatively reckoned at around \$200 million. Various unofficial estimates, ranging from \$25 million to \$100 million, of the cost of reconstruction have been put forward.

It already seems certain that Greece's friends and allies are expected to foot the greater part of the bill. Mr Markezinis is unwilling to upset the first balanced budget for many years; he further argues that it would be short-sighted to divert funds from an economic development programme designed to benefit the whole country, for the sake of a sudden catastrophe in a small part of it. None the less the long-term reconstruction of the islands must begin. This is where Nato might come in. Indeed, it is astonishing that nothing has been done by an organisation which is continually bewailing its inability to find constructive, non-military work to do. The Atlantic Council, it is true, has passed a resolution of condolence with the Greeks; but it might more imaginatively have appealed to governments for action. Suppose that each member were giving up a little of the American aid received or expected this year; or that some of Nato's hundreds of staff officers were helping to mobilise prefabricated houses, transport and supply ships with building materials. People would then begin to believe that the famous Article 2 of the North Atlantic Treaty means something after all.

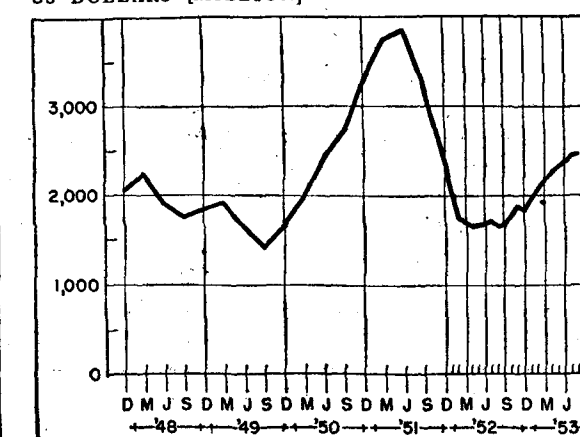
Fire under Trieste

THE angry exchange of words between Rome and Belgrade this week is a reminder that beneath the dispute over Trieste there still smoulders a dangerous fire. No one can know until Marshal Tito has spoken on Sunday whether the Italians have been justified in fearing that he would make a provocative new statement about the territory. So far, however, it looks as if there has been much ado about nothing much. The story began last week in Rome with reports that Marshal Tito was about to announce the formal annexation of Zone B of the Free Territory of Trieste; this has been occupied by Yugoslav troops since the end of the war, though Italy has by no means abandoned claim to it. Then on Saturday afternoon Signor Pella, the new Italian Prime Minister, set the cat among the pigeons by calling conferences with his chief of staff, with officials from the Palazzo Chigi, and subsequently with the British Ambassador and the American and French *Chargés d'Affaires*. Minor incidents have since taken place on the Trieste frontier, followed by accusations and denials.

If Marshal Tito has nothing remarkable to say on Sunday, it will be worth inquiring why this sudden storm should have rolled up so quickly in Rome. If he makes difficulties, it may well be asked whether British and American flattery has not gone altogether too far in Belgrade. The main reason for the storm is the state of public opinion in Italy. Few who have not been there in the past few months can realise the extent to which the course of the Trieste dispute has become for the nation the measure of Italy's return to its rightful role in the world. Signor De Gasperi took great pains to prevent this emotional issue from dominating the recent general elections. Signor Pella, perhaps by design, perhaps owing to less experienced management, is now allowing right wing fervour to bubble up once more into the forefront of public interest. This may strengthen his hand in parliament, but only at the risk of actual collisions between Italian and Yugoslav forces.

On the Yugoslav side, Marshal Tito is indeed playing with a smouldering fire if he ignores Italy's present feelings. The stream—excessive and unwise—of distinguished British

GOLD AND DOLLAR RESERVES
US DOLLARS [MILLION]



holidaymakers to Belgrade, from Mr Attlee to Field Marshal Sir John Harding simply sets nerves in Rome on edge. The Marshal missed a great opportunity of burying the hatchet with Italy when Signor De Gasperi was in power. Today, unless he is prepared to risk losing a great deal of the friendship and respect recently won in the West, he would do well not to tease the Italian moderates beyond the point of endurance.

Malenkov Aid for China

THE report that the Soviet Union has made a long-term loan of 5,000 million roubles to China has not yet been confirmed from either of the two capitals concerned. Should it turn out to be true, it will come as no surprise. It has frequently been pointed out that Mao Tse-tung's ambitious five-year industrialisation plan could not possibly succeed without substantial credits from some outside source. In recent months Soviet propaganda has declared that aid to develop China's resources is the next great task confronting the people of the Soviet Union.

The difficulties are considerable. Not the least of them is the need to rely on a slender and precarious agricultural surplus for the purchase abroad of the machines and materials required to begin the industrialisation programme. Even the Soviet Union was forced to seek foreign assistance in the early Five-Year Plans. Recently evidence has been accumulating that the Chinese are conscious of their limited capacity to buy in western countries the goods they urgently need. Efforts have been made to conserve foreign exchange, particularly sterling; non-essential goods offered in bilateral barter deals have been refused; and efforts have been made to woo the overseas Chinese, who have in the past remitted large amounts in foreign currency to their relatives in the homeland. These signs indicated that the Communist leaders were looking to the West for at least part of their requirements for the plan; indeed, this may still be their intention. But the Russians are doubtless alive to the possibility of an economic wedge being driven between themselves and the Chinese, and this may explain the speed with which the reported agreement has been reached. It is also a reflection of Mao's enhanced bargaining powers since the death of Stalin and the fall of Beria.

Whether Malenkov's aid will be sufficient to satisfy China's needs remains to be seen; but there is already an important lesson to be learned. It is that China's slight

Aircraft in Peace and War

No other sector of British industry is so exposed to changes in strategic conceptions and in commercial requirements as the

BRITISH AIRCRAFT INDUSTRY

Next week's issue of *The Economist* will include a series of special articles, measuring the industry's achievement and its response to the challenge of change.

ability to pay strictly limits the amount of trade the West can do with it. Western business can take a large part in the Communist industrialisation programme only if it will grant generous credits; but Peking's present attitude to the capitalist world and its close ties with Moscow do not make an encouraging background for lenders.

Commercial, Not Sponsored, TV

THE Postmaster-General, in a speech at the weekend, showed again that the Government has retreated from its first careless ideas about commercial television, but he did not show exactly where it stands now. Lord de la Warr said that the Government "envisaged a system whereby the station and not the advertiser is responsible for the programmes." He added:

What we do want to do is to provide alternative programmes, and because we distrust monopoly, from however good a source it may come, we want them to be provided by people other than the BBC.

So much—probably—for the BBC's plans for a second television service. But it is still not clear whether the "people other than the BBC" will be single or multiple, public corporation or private company.

If the Government does decide to give licences to one or more privately owned stations, it can be assumed that there will be no lack of applications. One company that has applied for a licence has already put forward just such a scheme whereby the station will sell time for advertisements in between, or perhaps in the middle of, programmes of its own devising. This recommends itself to many advertisers, for only some of the largest firms have either the resources or the experience to provide their own programmes: and, indeed, it has been approved by two societies of advertisers and advertising agents. On the other hand, some advertisers would be less interested in a service where they had no control over the programmes and would be unable to associate their product with a personality. It is by no means certain, therefore, that a privately owned station working on this system would be profitable.

A station owned by a public corporation would better meet the objections of the Morality and Good Taste faction that has forced the Government's retreat. A privately owned station, even if it operated according to a code of conduct, would design most of its programmes for mass appeal, whereas some that were edifying might be slipped into a public service. But would advertisers then be interested? Would they want to buy time between a scientific talk and a symphony concert? A public corporation could increase its income by advertising revenue, but it could hardly depend on it. Would the Government therefore be willing to break the BBC's monopoly of licence revenue? It seems that there is still much to settle before the White Paper on television appears.

Federation Begins

THE federation of Rhodesia and Nyasaland came into force this week. The first Governor-General, Lord Llewellyn, was due to arrive in Salisbury on September 4th,

and a Prime Minister and interim cabinet will shortly be appointed. The first federal general election will be held towards the end of the year. Three parties are likely to contest the election: the Federal Party, led by Sir Godfrey Huggins (Southern Rhodesia), Sir Roy Welensky (Northern Rhodesia), and Sir Malcolm Barrow (Nyasaland); the Confederate Party, led by Mr J. H. Dendy Young of Southern Rhodesia; and the Progressive Party, led by Dr Alexander Scott.

At this stage, it looks as if the Federal Party will be returned. The Progressive Party, which stands for eventual full partnership between the races, is at the moment almost confined to Northern Rhodesia and is too small to have any chance. The Confederates stand for racial segregation and reject partnership; they are in fact opposing the constitution itself, because the ideal of partnership is enshrined in its preamble. They are largely composed of the same people who voted against federation in the Southern Rhodesian referendum, and they may win votes cast not so much for their own views as out of dislike for Sir Godfrey Huggins. But their chief importance lies in the fact that, taking their stand on racial segregation, they are making native policy a party issue, whereas the Federal Party's view has hitherto been that since native policy is outside the sphere of the federal government, it should play no part in federal politics. But now that the issue is in fact being raised, it is disappointing that the Federal Party's definition of its policy towards racial segregation—a definition made last week, presumably in response to the Confederates' challenge—is so non-committal.

Restoring African Confidence

THERE is no doubt that a victory for the Confederates in the first elections for the new government in central Africa, or even their strong representation in the Federal Parliament, would intensify African fears of federation, which have been underlined by the new outbreak of violence in Nyasaland. Nor, it must be admitted, would the return of Sir Godfrey Huggins's party do anything to diminish them. An opportunity, however, will occur shortly for a gesture to be made that might well go some way towards restoring African confidence. Next week, talks will start at the Colonial Office on constitutional progress in Northern Rhodesia. Doubtless Sir Roy Welensky is willing to agree that more Africans should sit in the legislative council and perhaps to their direct representation in the executive council if more power is at the same time given to the Europeans. He would be showing greater statesmanship if he were to agree to the African advance without pressing for anything in return. The most able Europeans in Northern Rhodesia will shortly be leaving the territorial parliament to serve in the federal parliament. It is doubtful whether sufficiently able Europeans can be found not only to replace them but to take over more portfolios of government—which is presumably what the Europeans are looking forward to.

There is a further step that could be agreed on at these talks. At present, Southern Rhodesian Africans can obtain the franchise, if they fulfil the property qualifications, because they are British subjects. In Northern Rhodesia—

and Nyasaland, which has no franchise yet—Africans are British protected persons, and to obtain British citizenship, which is a qualification for the franchise in Northern Rhodesia, is laborious and not always possible. If an outcome of next week's conference were the extension of the franchise to all British protected persons who have the other qualifications, something would have been done to win back the African trust in Britain that federation has forfeited.

Arms and the Arabs

EGYPT is the pacemaker in current Arab moves to create a joint defence council, in accordance with the Arab League security pact of 1950. Last week, at a preliminary conference of chiefs of staff, and this week, when Arab defence and finance ministers are meeting to review progress, the Egyptian aim has been to produce plans for a joint force capable of assuming duties in the Canal Zone. Equipped with such a weapon, the Egyptians believe their strength in negotiating with Britain over future management of the zone would be usefully increased.

Such forces are more easily wished for than organised. Last week's conference was to have discussed expansion of forces, the standardisation of weapons and the question of a unified command; but not even the first item is plain sailing. Iraq, for instance, though by Arab standards well-to-do, is for the present loth to transfer funds from development to armaments; it is therefore regarded by many Egyptian militarists as unready to do its bit. As for standardisation of arms, there is no local industry for their manufacture other than Egypt's budding small-arms ammunition factories; the conference therefore faced the problem of how far it could accept the risk of becoming dependent on any single foreign source of supply. As for unified command, the proposal from Cairo is that this should go to the commander of the largest contingent, which is necessarily the Egyptian one. Syria can show two divisions, Iraq three and Jordan one. But neither the Iraqis nor the Jordanians are sure that the Egyptian soldier has improved his quality under Neguib.

The conference, it is true, was nearer to harmony than were its disastrous forebears during the Palestine war. But was it any nearer to achieving strength? It had its eye, naturally enough, on the \$1,860 million allocated to arms for the "Near East and Africa" in the new Mutual Security programme; but it may have forgotten that the price of aid on the scale it would like is compliance with certain American wishes, among them the desire that there should be peace between the Arabs and Israel.

Progress of the Balkan Alliance

IN recent weeks the three free Balkan powers, especially Greece and Yugoslavia, have been recipients of a number of friendly gestures from the Soviet Union and its satellites. Athens and Belgrade have both agreed to an exchange of

ambassadors with Moscow; a Greek-Bulgarian border commission is reported to have made good progress; and Yugoslavia is discussing border problems, with varying degrees of success, with all four of its Communist neighbours.

These developments may, perhaps, be responsible for certain reports that these Balkan governments are not getting on together as well as they were. But there is no real evidence that Soviet blandishments are undermining the determination of Greece, Yugoslavia and Turkey to work steadily towards greater military, political and economic co-operation. Progress towards a full-scale military alliance is bound to be slow so long as Yugoslavia remains outside Nato, and so long as the Trieste dispute remains inflamed. Slow but steady progress is, however, being made towards setting up the political secretariat upon which the three foreign ministers agreed last July. But it would be unreasonable to assume that all disputes and differences between the three countries will vanish as if by magic overnight, and that from henceforward they will see eye to eye on everything.

If Turkey and Yugoslavia think differently about the right response to the Russians' friendly gestures, they are certainly not the only ones to do so. If the Yugoslavs comment unfavourably on Greek plans to colonise the lands in Aegean Macedonia of those who departed to Yugoslavia

during the civil war, it may be that they feel bound to do so for purely internal reasons. And in view of their tense relations with Italy, it would be surprising if they did not feel nervous at the news that the Greek Premier and Foreign Minister are to visit Rome later this month. But so long as the three countries retain their basic desire to get on together these upsets and differences will fall into their proper perspective.

Suspect Soviet Statistics

MUCH is now being spoken and written about the Soviet economy's achievements, past and future. Some believe Soviet potential for war and peace to be far greater than is generally realised, and are alarmed at the ascendancy that the Communist bloc may soon achieve by the combination of planning, relentlessly hard work and relatively low living standards. Others believe that there are crucial flaws in the international economy—including China—of which the once self-sufficient Soviet economy is now the directing centre. Economic intelligence on these matters, such as it is, seems to clash with political judgment.

Both lines of approach are, in fact, hazardous. As an article elsewhere in this issue points out (p. 640) there is much in Soviet statistics to excite suspicion. On the other hand, estimates made outside the Soviet Union of present trends there, and based on the captured plans of 1941, have turned out remarkably accurate. Generally speaking, it seems likely that careful study over a period of Soviet statistics and published plans will produce a fairly reliable picture of the main economic trends; whereas the details are often blurred because of missing or misleading statistics.

Experience in Britain has shown how wildly wrong can be the estimates of the most honest and critical planners; experience in Europe has produced even more ludicrous examples. It is not to be expected that a totalitarian state like the Soviet Union should be immune from such failings, or that its managers and officials should not sometimes fake the books in order to escape the penalties of falling short of targets and norms.

Settlers' Plan for Kenya

WHEN the long-projected conference of leaders of the various racial communities meets in Kenya—if it ever does—the European section will now have a definite programme to lay before it. It may perhaps be doubted whether this programme, outlined by Mr Michael Blundell in a speech last week to the Electors' Union, will be received with any enthusiasm by Asians or Africans, but at least it is an agreed formulation of the settlers' ideas for Kenya after the emergency. It calls for the provision of "opportunities" for all loyal men whatever their creed or colour, for a strong state able to deal justice and freedom, for private enterprise, except where public enterprise is the best way to develop resources, and for all-round develop-

ment (which, however, may have to be financed by Britain).

On decisive issues, the settlers dig in their toes, calling for a "sense of security among all races" based on the maintenance of "the special rights of racial communities in the areas established for their respective use by treaty, ordinance or Order in Council"; in other words, the white highlands must remain inviolate—but so must other reserves. Furthermore, all races, the statement declares, must be protected from exploitation; no doubt this is meant to cover Asian infiltration of trade and administration at the expense of Africans, but it could imply a new code of labour regulations in the white highlands. Equally equivocal is the demand that "the direction of affairs of Kenya shall pass progressively to residents": there are five million African residents in Kenya. The settlers' programme also comes out for ultimate federation with Central Africa.

The "sense of security" to which the statement refers is most keenly sought by the settlers, and it may be significant that Mr Blundell, besides putting forward the new programme, has made a plea for an immigration programme of 30,000 Europeans and no Indians. By now, the Kenya settlers are a good deal readier to facilitate the immigration of European peasant proprietors—even, perhaps, of Italians, whose racial views have hitherto been thought too unsound for Kenya. At least, the statement of the settlers' programme opens the door to an inter-racial exchange of views, in which all communities may find elements of a design for living amicably together.

Squalor in Night School

THE Select Committee on Estimates, which was lately so critical of the Ministry of Education's school building programme, has been gentleness itself in considering technical education, with which it deals in its twelfth report published last week (HMSO, 7s. 6d.). It is, indeed, gentler than all that is commonly said about the importance of technical education might have led one to expect. Two of the committee's recommendations are attempts to improve the programming of building projects, two are intended to ginger up technical education in Scotland, and the fifth suggests further steps to find out if certain industries are suffering locally from the inadequacy of technical colleges.

None of these recommendations is startling. It is, indeed, evident that the committee was much impressed by the increase in the volume of technical education since the war, and by the efforts being made to fit a quart of students into a pint of building accommodation. The report draws attention to what are almost sealing-wax and string arrangements, to overcrowding and underlighting. But the number of students in England and Wales released by their firms for one day a week has risen from 40,000 in 1937-38 to 300,000 in 1952-53, while the number of full-time students has nearly quadrupled and the number at every class has nearly trebled. All this is evidence of a notable advance. In spite of makeshift conditions, students are pouring in and getting at least some sort of further education.

It is the quality rather than the quantity that is at fault. As was said in the evidence taken by the committee, lack

of suitable accommodation, or even of sufficient space to see demonstrations, prevents many students from benefiting fully from the classes they attend. Since the war few new technical colleges have been built. In general, students have been accommodated in temporary buildings, hired premises, or modest extensions—or quite simply by overcrowding. With technical education caught between the higher priorities given to both school and university building, only about 10 per cent of the building work "necessary to produce minimum facilities" has so far been completed, and the programme is running several years behind schedule. It is the other demands for building resources, not the Ministry of Education, that stands in the way. But it must be recognised that until better premises are available a large proportion of technical education will remain second-rate.

Educating Doctors

IT is nine years since the Goodenough Committee made some searching criticisms of the medical curriculum. To judge from many of the papers read at last week's international conference on medical education, those criticisms still hold good today. The conference, sponsored by the World Medical Association, was the first of its kind, and it was consequently all the more remarkable that there should have been so much international agreement on the basic faults in the education of doctors.

The tremendous advance made by medicine in the last fifty years has not been matched by any radical change in the training of those who practise it. The subjects that a medical student has to master have piled up, and he now has to embark on them in his last years at school. As Sir

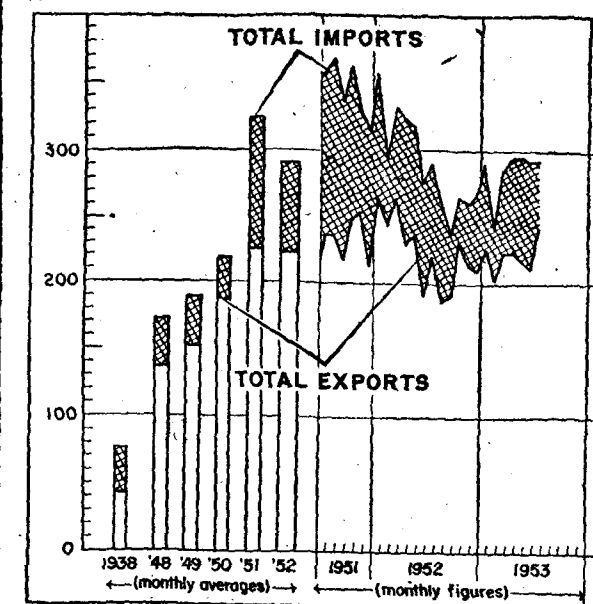
Russia's Success

Even if the Porte accepts the suggestions of the Four Powers, and if Russia evacuates the Principalities, still the mischief has been done. The Czar has been virtually successful, and we have been virtually baffled. We do not say this by way of blame either to our own Government or to that of France. It could scarcely have turned out otherwise. In the present state of civilisation, the struggle must always be an unequal one between recklessness and caution—between love of peace and indifference to war—between unscrupulous aggression, on the one hand, and calculating prudence on the other. It was worth while for Russia to seize much, for the sake of being permitted to retain a little. It was worth while for Turkey to submit to a certain injury for the sake of avoiding the incalculable cost and the uncertain issue of a war. It was worth while for Europe to mediate between the robber and his victim, on the principle not of justice and of punishment, but of expediency and of bargain, in order to escape a conflagration which might have involved whole nations and burnt up many dynasties. Russia knew all this well, and calculated on it shrewdly. She probably never contemplated a war; but she knew that her opponents would connive at some portion of her unjust aggressions in order to avert one; and that however much she was compelled to recede, it could scarcely be to the whole extent of her advance. Aggression is a safe game to play, either with weak, with timid, with cautious, with scrupulous, with calculating, or with peace-loving antagonists. Probably our mistake—the mistake of France and England—was in not having, immediately the Russians crossed the Pruth, sent our fleets into the Black Sea, and declared the Dardanelles and the Euxine henceforth free to the navies of every nation. Russia would then have been glad to accept any terms in order to escape from an event which she dreads more than almost any other.

The Economist

September 3, 1953

THE UK TRADE GAP
£ MILLION



Lionel Whitby pointed out in his presidential address to the conference, the effect is not only that medical graduates often suffer from a "poverty of mind"; there is nothing in the curriculum to ensure that the knowledge demanded of them is integrated.

The student must never think of the various phases of his education as a vista of obstacles between him and his final qualification, to be overcome as soon as possible and, once overcome, to be forgotten.

All too often he does.

The division of his education into "separate blocks of instruction," into specialties within specialties, has its inevitable effect on the doctor at the end of his training. It is common for students to complain that they have been taught a vast amount of knowledge and of techniques but that the one thing they have not learned is how to approach and treat a patient. "The stethoscope, the X-ray and the electrocardiogram," said Dr Mallick, Dean of the Dow Medical College at Karachi,

have come so much into the limelight that the poor patient whose coronary artery or valve is the subject of this instrumentation is lost in the shadows of the umbras and penumbras.

That patients are not cases but people, not diseases but human beings with a disease, is, as he said, an old adage. But it is one that medical education largely ignores. It is perhaps significant of the neglect that the Central Health Services-Council devoted a section of its report to the consideration of patients as persons. If last week's conference

had done no more than re-emphasise old truths that are still valid in the new age of medical science, it would have fully justified itself.

Mauritius Goes Labour

THE general election in the colony of Mauritius, held under the new constitution, shows that the first effort to develop a "Mauritius for the Mauritians" party has failed. The *Ralliement Mauricien* obtained only two seats whereas the Labour party took thirteen, and four seats went to independents. Though the Labour party declares that it speaks for the working masses (the total electorate is less than 90,000), it is in fact largely a pro-India and Indian Nationalist body, and many of its leaders press for a sort of *enosis*, on the Cypriot model, with the motherland. But the other communities (European, and people of African and mixed descent), who constitute a third of the population, deny that India is the motherland, since they got to Mauritius first. It is, indeed, extremely doubtful how far the Indian sugar planter wishes to contract out of the colonial empire. Mauritian sugar is bought under long-term contract by the United Kingdom, and has enjoyed record prices, with record crops, in the past few years.

On paper the Labour party cannot expect to control the Legislative Council, since against its thirteen there are twelve nominated and three *ex officio* members as well as the other six elected members. But on individual votes it may win the day from time to time. Its policy is somewhat vague, but it is pressing for complete adult suffrage, instead of the present suffrage which requires sufficient literacy in any of the island's languages to sign one's name on the register, and for further constitutional advance towards self government. It will not doubt continue to press for higher wages and improved working conditions, but talk of nationalisation of the sugar industry is likely to remain rather nebulous.

The island's real problem is demographic. Population is rapidly increasing. Mauritians, like Maltese, face an emigration problem. It is not one that they can solve on their own; they need the resources of the Commonwealth. How these can be brought to bear, the forthcoming report on the small dependencies may presently disclose.

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 re-printed 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:

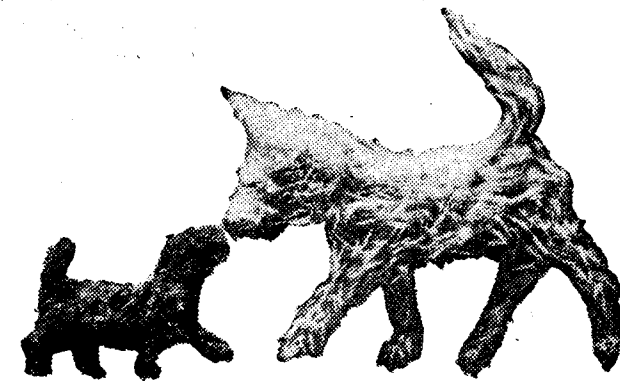
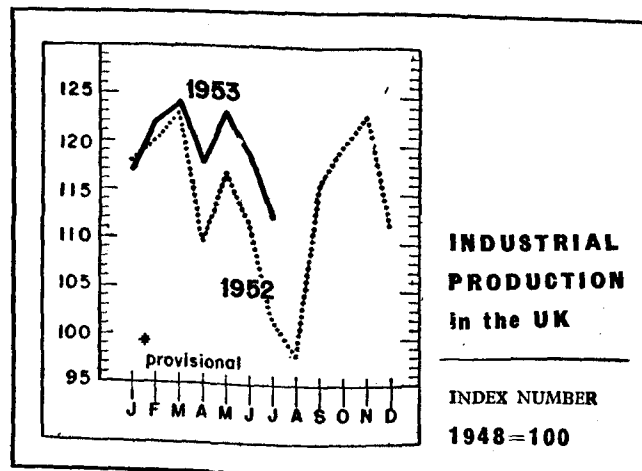
WALTER BAGEHOT
by the late Francis W. Hirst.

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.

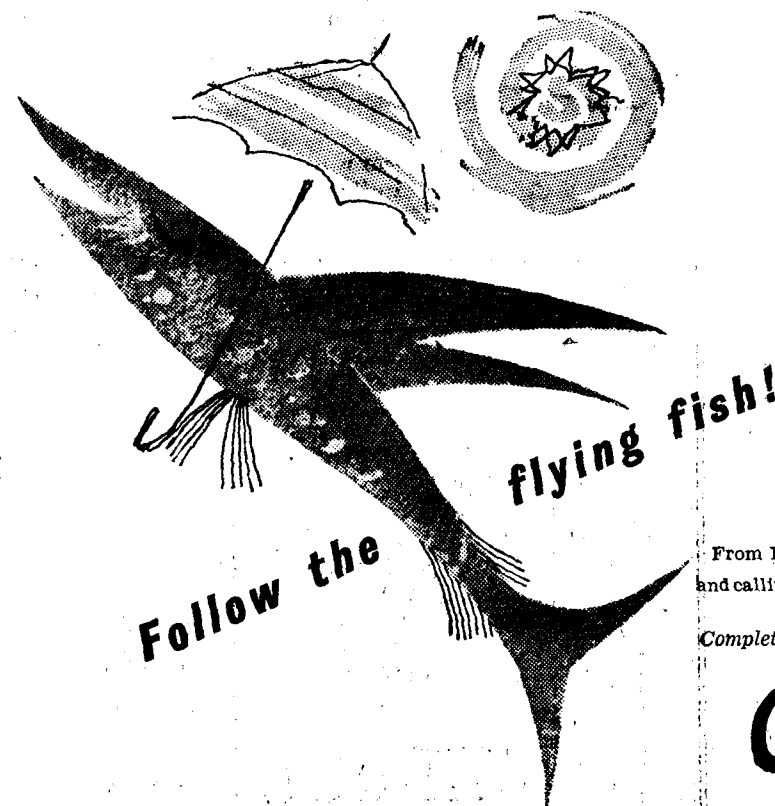


the long and the short of it

Asbestos is made up of millions of fibres—some long, some short, according to the thickness of the seams, which are found between layers of rock. Amosite, for instance—produced from the Cape Asbestos Company's mines—consists of some of the longest fibres. When these have been divided and bulked together again, they occupy about twenty times their original volume because they trap thousands of minute air cells within their mass. It is this which gives the Company's famous "Caposite" insulation its unique light, open texture and exceptional insulating efficiency. But long or short, Asbestos fibres are playing an increasingly large part in industry. If you are in any doubt about the value of Asbestos materials for your own purposes, consult

THE **CAPE** ASBESTOS CO. LTD., 114-116 Park St., London, W.1. GROSvenor 6022

TA5581



Leave Britain to the raincoaters,
the snowbooters, the sneezers.
Spend this winter in sunshine on tropic seas.
Gain a month of pure delight, comfort,
full freedom from care. See Casablanca,
Teneriffe, Rio, Madeira and Lisbon.
Join the beautiful Empress of Scotland and
journey round the South Atlantic.

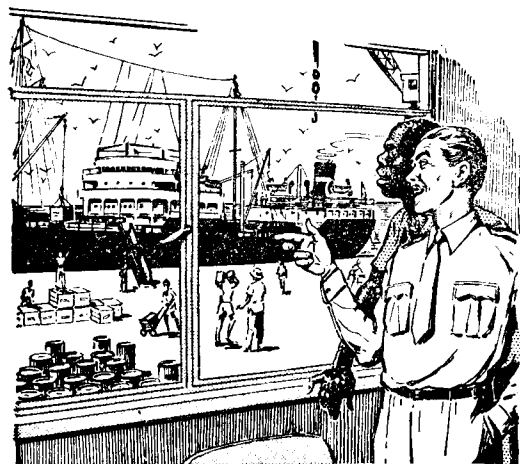
From Liverpool 15th December. From Southampton 17th December
and calling at Cherbourg. Returning to Southampton 18th January 1954.

Complete information from authorised travel agents or

Canadian Pacific

Trafalgar Square, W.C.2. (Whitehall 5100) 103 Leadenhall Street, E.C.3.
(Avenue 4707) LONDON and offices throughout Britain and the Continent.

Building for the future . . .



TAKORADI

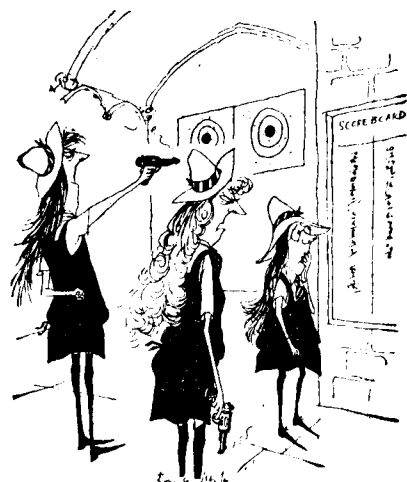
Harbour extensions for the Gold Coast Railways and Harbours Administration, Consulting Engineers—Messrs. Rendel, Palmer & Tritton.

The new extensions which we have just completed have increased the capacity of Takoradi Harbour, Gold Coast, almost threefold. During this major undertaking, we trained large numbers of Africans in jobs that will serve them—and their country—well in the future.

Throughout the free World

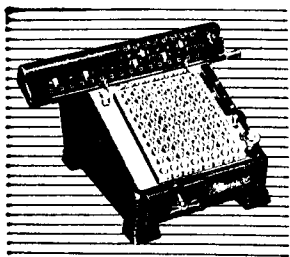
TAYLOR WOODROW

Building and Civil Engineering Contractors
10 PARK STREET · LONDON, W.1 GROSvenor 8871



The Answer's a

Monroe



With a Monroe adding-calculator the most complicated calculations are as easy as a five-finger exercise—and among the wide range of Monroe models there is one exactly suited to the volume and variety of your requirements.

... the answer, of course, is a Monroe.

MONROE CALCULATING MACHINE COMPANY LIMITED
10-11 Albemarle Street, London, W.1 GROSvenor 7541



Today's da Vinci needs TOMORROW'S ALLOYS

In Leonardo da Vinci's 450 year-old notebooks can be found sketch designs for flying machines, dredgers, machine tools and many other ingenious mechanisms. Many of da Vinci's most advanced designs were not put to the practical test in his lifetime because materials then were not good enough. Today the designer can turn to the metallurgist for help. Together they can look ahead to projects which in a few years time may depend on materials not yet commercially developed. Mond Nickel is working now on such problems in the field of nickel alloys. Now is the time for designers to . . .

CONSULT MOND NICKEL



THE MOND NICKEL COMPANY LIMITED

SUNDERLAND HOUSE · CURZON STREET · LONDON · W

Books & Publications

The Ugly Record of IG Farben

DIE IG FARBen INDUSTRIE AKTIEN-GESELLSCHAFT.

By Fritz Ter Meer.

Econ Verlag Düsseldorf. 128 pages.

GENERALS IN GREY SUITS.

By Josiah E. Dubois.

The Bodley Head. 384 pages. 16s.

IN a slim, handsome volume of reminiscences, Dr Ter Meer, descendant of an old German family of dye-stuff manufacturers, production chief of synthetic rubber, pharmaceuticals and poison gas, and one of the defendants at the Nuremberg trial of IG Farben, has described the history of Germany's largest industrial enterprise. At the outbreak of war, when Germany's net industrial production amounted to some 40,000 million marks, IG accounted for a total annual turnover of close to 2,000 million marks. The historian of IG Farben wishes to convey to his readers the picture of a gentle business organisation, run by socially minded men striving for the good of mankind, at home and abroad. Of Hitler's drastic measures he merely reports that they found general recognition. Allied policy is described in such terms as demontage, requisitioning and works espionage. Dr Ter Meer's criticism of his own firm is revealing. He is unhappy about its use of the term "commission," because of its implication—from parliamentary practice—of adjournment and delay. He closes his book on a nostalgic note and spares his readers all unpleasant reminiscences of such products as magnesium bombs and extermination gases.

Not so Josiah Dubois, who describes Dr Ter Meer and other IG men as the master builders of Hitler's war machine. In condensing 150 volumes of testimony into one book, the former Chief Prosecutor of the Nuremberg trial of IG Farben has had no easy task. He, too, had to be selective. Taking too literally President Roosevelt's reference to the evidence on IG activities as a detective story, he writes one. His account gives the other side of the coin: an enterprise that from 1936 onwards forged ahead of the High Command with plans for the production of buna, magnesium, high-octane and poison gas, that set up more than 30 shadow factories for the "emergency" and delegated its most capable chemists to Goering's Four Year Plan Bureau and to the Army Command.

Simultaneously through mediators and middlemen, by pressure and persuasion, with tricks and treachery, IG

acquired all major chemical plants in Europe, from Austria's *Dynamit Nobel* to *Etablissements Kuhlmann* in France. Overseas, an elaborate system of economic and military intelligence was set up. In the United States, through the offices of the Karl Schurz Association and of American companies, influence was extended to America's oil and chemical industries. IG Farben's foreign policy and Nazi foreign policy were, according to one of the chief defendants, considered inseparable. At home, close liaison was maintained with Party and SS. In the words of an IG director: "Our new friendship with the SS is proving very profitable." This was truest of Auschwitz where, in the words of another of the accused,

at my request, the Reichsmarschall has issued special decrees to the Supreme Reich authorities concerned to meet IG requirements in skilled workers and labourers.

By the end of the war, the number of forced labourers at IG Auschwitz had risen to more than 100,000. Many had died from experimental injections with soporific drugs; more had been killed in Camp IV (Monowitz), where prussic acid produced by IG Leverkusen and supplied by an IG subsidiary had been administered in gas chambers.

After many months of interrogation and trial, 13 of the 24 "Generals in Grey Suits" were found guilty and sentenced on charges of plunder and spoliation in foreign countries and enslavement and maltreatment of human beings. In 1945 most of them had admitted their share in these crimes, but by 1947 they pleaded ignorance or pretended not to be "technically qualified" to speak for their firm. Brigadier-General Taylor, in his address for the prosecution, held that "there is no laughter in this case," and, summing up, Judge Hebert called it "an ugly record which went far beyond the activities of normal business."

Standards in Society

THE STANDARD OF LIVING: *The Concept and Its Place in Economics.*

By Hugo E. Pipping.

Societas Scientiarum Fennica (Helsingfors). 280 pages. 1,400 marks.

THE history of economic thought is characterised by a constant tug-of-war between what one may call specialisers and generalisers; between those who regard as most profitable and satisfying the cultivation of a territory limited by rigorous logic and those who

insist that economics is a "moral science" in a deeper sense than that of the Cambridge syllabus. There are signs that the latter are just now getting the upper hand. However infuriatingly to the specialist, who feels that he has plenty on his plate already, sociologists, anthropologists, psychologists and political theorists insist on tendering evidence which he can neglect only on peril of stultification, but which most uncomfortably fails to fit into economic modes of thought.

Thus the behaviour of producers is shown as a matter of playing to win a power-game, or of conforming to group opinion, or of nourishing an ego rather than a bank balance. Consumers have come in for considerably less attention; and few if any attempts have been made to study, in this wider sense, the all-round behaviour of people in their double role as consumers-plus-producers, complete economic agents. Professor Hugo Pipping's book is a valiant, conscientious and original attempt to build, on the semi-sociological concept of the standard of living, a theory of economic behaviour and a criterion of welfare policy. A standard conceived merely in terms of individual wants and their satisfaction, and measured by a weighted index of material consumption, is not nearly enough for him; his "standard" is a quadruple entity comprising not only consumption in the narrower sense but the balance of work and leisure, the maintenance of a family,

For your leisure reading

Another success for
the author of
'GEORDIE'

DIGBY

DAVID WALKER

"Would that all
Highland Games
were as much fun
as this."

—ERIC LINKLATER

Reprinting already

10s. 6d.

— COLLINS —

and the power to save. These are components whose magnitude, relative importance, and particular content vary with the way of life of different ages, nations, classes and other groupings. Only such a standard can have a formative value as an object or test of policy; for only such a standard has a real correspondence to psychological fact.

With some important reservations about the usefulness of this concept as a tool of thought—one can hardly imagine anything more unwieldy—and the consequent inadvisability of jettisoning, rather than supplementing, more conventional analysis, one can accept all this as true, valuable, and practically important. It is all the more pity that Professor Pipping's book plumbs depths of unreadability rare even among social scientists. His English, while not often actually incorrect, is maddeningly unidiomatic, heavy-footed and obscure. His scholarship is of the relentlessly conscientious kind which cannot observe that two and two make four without citing an authority; indeed Dr Strabismus (whom God preserve) of Utrecht is about the only authority left uncited. Platitudes are laboured, hairs microscopically split and then thrown away, with as weighty an attention as is bestowed on the most original and valuable parts of the work. That one should emerge from the long ordeal of reading it with the feeling that one's sufferings have been worth while is perhaps the best evidence of the intrinsic value of Professor Pipping's thought.

Enterprise and Secular Change

Edited by F. C. LANE and J. C. RIEMERSMA. These essays from American and British journals and translations from French, Italian and German sources show the diversity of problems studied by economic historians and the more important methods used. 32s. net

Problems of Economic Union

Professor J. E. MEADE discusses the main problems in the formation of an Economic Union of one sort or another between a number of independent states. 9s. 6d. net

Monetary Theory and Public Policy

KENNETH K. KURIHARA. "A lucid and comfortably elaborate exposition of the salient features of what may now be called Keynesian economics."—*The Times Literary Supplement*. 30s. net

ALLEN & UNWIN

40 Museum Street, London, W.C.1

The New Democracy

STATES AND MIND.

By Michael Balfour.

The Cresset Press. 152 pages. 15s.

THIS book can perhaps best be described as a treatise on some of the functions and limitations of government in a democracy, whether a liberal democracy or a people's democracy. Its principal themes are the interaction of events and ideas, the consequent importance and the techniques of influencing opinion, and the need for cohesion in the society that the governors are called upon to govern. Political theory is not a subject on which it is easy or necessary to find anything original to say; and what is wanted in a book of this kind is a clear restatement of certain propositions, their relation to new phenomena (such as the expanding basis of government or new media of communication) and a willingness to re-examine axioms that have become so commonly accepted as to be removed from the sphere of debate. To reduce the seemingly obvious to the status of hypothesis requires a special kind of intellectual effort that is hardly ever wasted.

Mr Balfour comes well through all these tests. His thinking and his prose are refreshingly clear; his practical acquaintance with a government's difficulties in persuading people, happily wedded to his academic accomplishment, gives special point and value to his writing. In more than one place he prompts second thoughts about too easily accepted dogmas: as, for instance, when he questions the "article of the Liberal faith that persecution, so far from killing a thing, must inevitably nourish it and that in the end truth will prevail." Yet there is also something elusive about Mr Balfour's book; for although the ground is well prepared, the reader is not carried far off it and is left with the disappointing feeling that the author was capable of taking him farther but did not choose to do so. But Mr Balfour will probably have more to say on his subject another time.

Good Talk

THE OXFORD BOOK OF ENGLISH TALK.

Edited by James Sutherland.

Oxford University Press. 453 pages. 18s.

PHYSICALLY, at any rate, this book is satisfactory; for it is well printed and well bound—and the price of its 450-odd pages extraordinarily low. But we have come to expect of the Oxford University Press that very good value will be given for money.

Intellectually, the book is more than satisfactory. That temperate and very English adjective fails utterly to do it justice; even "eminently satisfactory" would be grudgingly inadequate. Professor Sutherland, who writes so much better than most professors can or, at least, do write, has covered six centuries of English talk: he starts early in the

fifteenth century and ends only yesterday. (It is, by the way, English not British talk.) To deal with the present day is fairly easy. But how deal with yesteryear and the long-past century? The editor has gone not only to the dramatists and the novelists in their more colloquial moods, but also to verbatim reports of state trials and of sessions cases, to letters and diaries, to broadcast talks, and to much else. He ranges from lord to link-boy, from lady to Moll Cutpurse; from the highest to the lowest, through all the intermediate grades. In short, he has supplied many cross-sections of English talk; not with a carefully doctored thesis, nor with a tendentious theory. By his method, he has edited both an anthology of everyday speech and a sociological record: but, then, he knew that he could hardly achieve the former without achieving also the latter, although the knowledge may have been subconscious.

The inevitable result is that here is a book at once instructive to all, valuable to the scholar and the student, and entertaining to the general intelligent public. The scholar can trust to the text, the general public to the readability of every "item." The editor, a notable scholar, almost as well known in the United States of America and on the Continent of Europe as he is in Britain, has done his work with skill and tact and good taste. The footnotes, models of brevity and adequacy, are kept to a minimum; and the preface, which is brief, pithy and very shrewd, displays a nice historical sense. Only when one regretfully comes to the end of this delectable volume does one realise that one has been watching an alert, orderly, well-informed and generous mind picking an unerring path through a very jungle of material, with the result that everything has been made easy for the general reader—and well worth the attention of general reader and student alike.

Guilty But Insane

BROADMOOR.

By Ralph Partridge.

Chatto and Windus. 278 pages. 21s.

ONE of the striking features of murder trials in recent years is that the public is rarely interested in whether the verdict will be "guilty" or "not guilty." The main interest is the ultimate fate of the prisoner: in other words, will he or she be hanged? And the only way for a guilty murderer to escape the death sentence being passed on him is to be found "guilty but insane."

Mr Partridge's book describes what happens to those on whom this verdict is passed, as well as to those who are sent to Broadmoor as a result of a medical examination while in the condemned cell—and to other criminal or dangerous lunatics, for by no means all of Broadmoor's patients are murderers. Yet it is the fact that so many of them have escaped hanging that gives Broad-

moor its peculiar fascination to the public at large, which is usually quite indifferent to life in an ordinary mental hospital.

Mr Partridge describes the different forms of mental illness clearly and gives apt case histories. His description of life at Broadmoor, however, is a bit too long. After all, Broadmoor patients, as he carefully explains, are not being punished; they are being treated, in so far as they are treatable. Apart, therefore, from the strict security precautions, life at Broadmoor is in many respects similar to life at an ordinary mental hospital, and Mr Partridge's account is sometimes a little naïf. As a whole, however, the book is readable and, though somewhat too uncritical, objective; it should dispel many popular misconceptions and prejudices about what is involved by a verdict of "guilty but insane."

Legal Hors d'Oeuvres

CURRENT LEGAL PROBLEMS, 1953. Edited by G. W. Keeton and G. Schwarzenberger.

Stevens. 324 pages. 37s. 6d.

IT always seems unfair to do no more than list the contents of a book and leave it at that, yet, lacking both the space and the talent of Lord Macaulay, what else can a reviewer do with a book like this? It contains fifteen studies. It begins with a paper on the influence of remedies on rights, by the chairman of the committee that spent six years in studying that problem. It ends with a paper on the Bonn and Paris Treaties that points out, among other things, a serious discrepancy between the text of the German and that of the French and English versions of the documents. It contains a section on the constitutional crisis in South Africa, another on constitutional developments in British West Africa, and another on copyright law revision and the as yet unratified Unesco copyright convention. There is an account of the failure of Lord Astor's trust for the shares in *The Observer* which is a most valuable study of the law of charitable and other trusts for the public benefit—a subject that must sooner or later engage the attention of Parliament; and there is another paper on recent practice in the law of extradition. Each paper in the book requires a separate review and Lord Macaulay would have seized upon them with the joyous certainty that a month of essay writing lay before him.

This is the best volume of the series yet to appear: this statement does not mean that the series needed six volumes to establish itself but that there have been volumes in the past of greater interest to the lawyer than to the layman. That is not true of this collection. It would be an exaggeration to say that each chapter is worth the price of the whole book, but it is fair to say that anyone who picks up the book to read on a particular subject will finish by reading them all with the same advantage and enjoyment.

Pulling Out the Stops

YOU HAVE A POINT THERE.

By Eric Partridge.

Hamish Hamilton. 230 pages. 12s. 6d.

ONE of the chapters of this instructive and entertaining book is called "Full Orchestra." In it Mr Partridge, who in the preceding chapters has explained the uses of all the instruments of punctuation, shows how they should be combined in a literary passage. He gives four versions of each passage: the first, untouched—that is, completely unpunctuated; the second, semi-literate or careless; the third, average or merely competent; the fourth showing punctuation as an art.

This chapter alone will be immensely valuable to any writer and encourage him to use colons and semicolons more freely. But he would be well advised to read first the chapters describing the theory and practice of punctuation and of its allies—capitals, italics, quotation marks, hyphens and paragraphs. Then he will feel more confident; prepared both to emulate Mr Partridge's punctuation of a piece of prose and occasionally, to criticise it.

Mr Partridge is definite without being dogmatic. He lays down no rigid rules; he is a guide not a dictator. But it is pleasant to find some of one's own whims approved by so authoritative a guide; and, when one's practice differs from his own, to feel that there is no real disagreement on theory. Disliking hyphenated words, *The Economist* decided long ago to write manpower as one word. Readers who think the practice peculiar will find it justified by Mr Partridge. It evidently conforms with current American practice; on this Mr John W. Clark, of the University of Minnesota, contributes an interesting chapter as a postscript to Mr Partridge's comprehensive work.

Shorter Notices

PARLIAMENTARY GOVERNMENT IN SOUTHERN ASIA.

Sydney D. Bailey.

Hansard Society. 100 pages. 9s.

This clear and concise little book constitutes a reference guide to the background of parliamentary government in Burma, Ceylon, India and Pakistan. It summarises the events which led up to the transfer of power to each country by Britain; outlines their present constitutions; and gives a picture of the rôle of the political parties, the methods—and difficulties—of holding elections, and the way in which cabinet government is related to the work of the legislatures.

Mr Bailey rightly reminds his readers that it is often taken far too much for granted that the new countries of Asia should automatically adopt the parliamentary system. That they did so was in reality "a momentous act of faith," the legacy of British tutelage, but remarkable nevertheless. For, as he says, "never before had the parliamentary system been successful for a prolonged period in a country where a substantial proportion of the electors were illiterate."

All four countries have, in fact, modelled their procedure on Westminster, adapting it to suit their own needs. The influence of

British thought and tradition emerges with particular clarity in an example which the author quotes from the constitutions of Burma and India; he notes in both cases that where the President acts only on the advice of his ministers, "the word *advice* is used in the same euphemistic sense as in the United Kingdom." Mr Bailey's book has been drawn up in co-operation with the Institute of Pacific Relations, and is one more tribute to the value of the work of that organisation as well as of its publisher, the Hansard Society.

MINERALS—A KEY TO SOVIET POWER.

By Demitri B. Shimkin.

Harvard University Press (London: Geoffrey Cumberlege). 452 pages. 52s.

"The student of Soviet economic life is faced with two difficulties: the scarcity of material and the difficulty of finding it. Mr Shimkin proves in his book how much can still be learnt through a patient collection and analysis of all the dispersed materials. His field is vast. It includes all minerals from coal to uranium; it covers ferrous and non-ferrous metals as well as non-metals. Yet Mr Shimkin has succeeded in presenting a coherent picture of all of them, giving all the available details of production, trade, consumption and available resources. To complete the picture he has added, whenever possible and important, data on developments in the Soviet sphere of influence.

The material is necessarily uneven. It is much richer for the prewar years than for the postwar period. The author cannot be held responsible for the growing secrecy surrounding Soviet life. Throughout he is scrupulously honest in distinguishing official figures from estimates and the latter are carefully computed. Where the book shifts to less firm ground is in the calculation of Soviet aggregate mineral consumption. This is done through an index based on American, not on Russian, prices. A "hypothetical standard" of Soviet consumption is also established with American industrial structure as a model. Mr Shimkin does not hide the limitations of such a method. Indeed, throughout he shows his sources, tools and findings. This is not a book for the general reader, but specialists in mineral economics and, even more, students of Soviet economy will owe the author a great debt for this valuable result of patient and intelligent research.

THE PARENTS' GUIDE TO SECONDARY EDUCATION.

By H. A. Wrenn.

Cambridge University Press. 85 pages. 3s. 6d.

The many parents who find it difficult to understand the recent changes in the English educational system will find this book most useful. It will help them to realise what type of education is most suitable for their children and to appreciate the value of different courses for different careers. The book describes simply and briefly the objects and methods of the different types of secondary school, the methods of the selection examination at 11, and the character and requirements of the examinations that follow. It also provides a useful list of careers and qualifications and details of the sources of financial aid for fees. If the book suggests a greater uniformity of curricula and methods than actually exists, it has at least the advantage of clarity.

Letters to the Editor

Europe in Africa

SIR—In your Note in the issue of August 29th, you say that Liberalism, "which at one time stood everywhere in the acknowledged vanguard of political and social progress, is now apt to find itself seated on the right-wing benches of continental parliaments." If by "right-wing" you mean reactionary or pro-privilege, that statement goes wide of the mark indeed. If, on the other hand, you mean opposed to the growing powers of the state, it is true enough. In that case, however, the implication that continental Liberalism is no longer in the vanguard of progress is scarcely apt. In trying to break out from the thicket of controls and restrictions continental Liberalism is playing an active and creative role in the best traditions of its past.

Nor is it quite correct to say in this connection that "Liberalism means different things in different places." The word has certainly tended to lose content during the last half-century, but today

the Continental Liberals all accept the general principles set out in the Liberal Manifesto. If they differ in their domestic policies, it is because each has to apply these principles to a different situation. It is significant that they are all broadly agreed on their application in the international field.—Yours faithfully, JOHN H. MACCALLUM SCOTT, London, SW1

Single or Double Korea

SIR—Your analysis of the Korean situation in the article "Single or Double Korea" is flawless up to the last paragraph where, after concluding that Korean unification is not possible in present circumstances, you find some grounds for optimism in this unpleasant fact and hold that the war will not be renewed. But have you not forgotten Mr Rhee? Has he not given every indication that he will renew the war, and is there any reason for expecting that he can be controlled? I do not wish to pass judgment on him; I think his

attitude can be understood. But he certainly is a very real threat to the peace. The American people attach a great deal of importance to the question of who is technically the aggressor, and if Rhee deliberately broke the peace he might not be supported. But if, after his invasion, the North Koreans and Chinese defeated him and poured over the 38th parallel, could the United States ignore this? Would not the belligerence of the South Koreans inevitably lead to a general war? I do not myself find much reason for optimism in the situation, and would like to see the big question of Mr Rhee tackled before it is too late.—Yours faithfully,

AN AMERICAN READER
London, W2

Penalties for Parking

SIR—In your Note last week you suggested that if parking were harder many motorists who now bring their cars into Central London would leave them at home and use public transport. I suggest it is time to realise that the right to park in crowded streets must be so limited that all traffic will flow freely. No one would dream of driving to an office in downtown Manhattan and parking there. Nor for that matter did people park in the City of London before the war: since the war, bombed sites have come to the rescue.

The parking evil has been greatly intensified by the common post-war practice of providing a car as a form of remuneration. This means, in many cases, that travel from home to office by car is cheaper than any form of public transport—if, indeed, it costs anything at all. Thousands of cars, with one passenger each, clog up the roads around London morning and evening, and spend the time in between standing idle in the congested centre; only a proportion of them ever move from their parking place during the day. It would be interesting to know what cost in national resources is represented by this form of travelling.—Yours faithfully, R. KELP-COHEN
London, SE19

Problems for Mr Holland

SIR—I would draw your attention to an error in the article by your Wellington correspondent which appeared in the issue of August 8th.

It is stated that New Zealand's surplus with the non-sterling area in the year ended June 30, 1953, exceeded the target of £25 million by £9.7 million. Your correspondent has apparently confused the overall and non-sterling surpluses. The latter, when calculated on a country-of-settlement basis, amounts to £36.4 million. This surplus is reduced to £27.8 million if transactions are recorded upon a country-of-origin basis. On either method of compilation, the commitment entered into at the 1952 Commonwealth Finance Ministers' Conference has been surpassed.—Yours faithfully, A. R. LOW
Reserve Bank of New Zealand,
Wellington

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.

Cleavages Among Allies

Washington, D.C.

ON August 27th, in Washington, Senator Alexander Wiley, the Chairman of the Senate Foreign Relations Committee, issued a statement to the effect that there was a "deep cleavage" between the Soviet peoples and their government and that the United States should do everything possible to exploit it. But this statement rang a little hollow, for two hundred miles away, at the

Special Assembly of the United Nations in New York, a deep cleavage existed at that moment between the United States and its principal allies which the Soviet Union could have exploited at will. The United States delegation was engaged in consolidating a technical victory, on the question of whether India should or should not be represented at the political conference on Korea, which disrupted the normal alignments of the non-Soviet world as no previous vote in the history of the United Nations had done. The resolution inviting India to be present failed to obtain the necessary votes of two-thirds of the Assembly, because the United States, after the application of the most severe pressure, was able to secure the support of seventeen Latin American countries and of Greece, Pakistan, and Nationalist China. Arrayed against the United States were twenty-seven countries, including the Soviet bloc, the entire British Commonwealth except Pakistan and South Africa, and all those Arab countries whose friendship Mr John Foster Dulles has recently been travelling so far to win.

The United States was opposed by its two immediate neighbours, Canada and Mexico. Every member of the North Atlantic Treaty Organisation except Greece, and every country which had sent troops to Korea, except Greece

and Colombia, either voted against the United States or abstained, and the abstention of France was secured partly by American opposition to the demands of the Arab and Asian representatives that the Moroccan dispute should be accepted by the Security Council. The *Washington Post* commented the following day:

Pyrrhus, with the help of elephants, inflicted a defeat upon the Romans so costly to his own troops as to make

him doubt the value of total victory. . . . The divisions and hard feelings in the free world may well make Ambassador Lodge doubt the value of total victory. As for the elephants, they were present symbolically in the uncertainties of Republican policy and the political commitments by the Administration respecting the Far East.

It is not altogether fair to attribute the whole blame for this unfortunate situation to Mr Henry Cabot Lodge. He was for most of the special session following a brief that had been worked out in Washington, although rather hastily, in the weeks following the armistice. The decision to press for a "two sided" rather than a "round table" conference was not based solely on President Syngman Rhee's almost morbid dislike of Mr Nehru, though that was an important factor, and Mr Lodge would have won more sympathy if he had explained its importance with greater

candour than he did. The decision was also based on considerably more scepticism than prevailed in other Foreign Offices about the possibilities of negotiating even a minor settlement in the Far East with Communist China at this moment, even though that country might be willing to see a conference convened in order to gain prestige in Asia from its failure. For this reason the United States Administration made up its mind that it would press for

"Nice Timing, Foster"



Herblock in the *Washington Post*

The
astonishing
story of the
Daily
Mirror

Publish and be damned!

by Hugh Cudlipp

- The frankest book ever written about British newspapers
- Behind the scenes of the newspaper that shocked conventional Britain
- Inside story of the government's threat to suppress the Mirror
- What was said by Sir Winston Churchill in private letters to the Mirror
- The innocent cartoon that horrified Cabinet ministers
- Who owns the Mirror? Did it put Labour into power in 1945?
- How powerful is the Press?
- The battle for the world's biggest sale.

DAKERS 12'6

a conference on the limited question of settling the problems left over by the Korean war, that is, for a continuation in a civilian context of the armistice negotiations at Panmunjom; but it would also be ready to enlarge the agenda and see other interested nations such as India brought in if there were the slightest signs that the Communists were in a mood to widen the area of negotiation.

While this was not in fact an illogical position, the inexperience of Mr Lodge in the techniques of diplomacy and his ignorance of the atmosphere of the United Nations very soon made it appear to be. In the first place, the haste with which the American position was arrived at, complicated by Mr Lodge's absence in Korea with Mr Dulles until a few days before the Assembly began, made it impossible to have any real discussion with the British or other delegations, or to reconcile the differences between the American and the Commonwealth points of view. In the second place Mr Lodge reduced his power of diplomatic manoeuvre from the start by giving frequent, and somewhat contradictory, statements to the press and the television cameras.

Thirdly, Mr Lodge has not fully grasped the difference between being a member of the United States Senate and being his country's delegate to the United Nations. Many of his statements, notably the one made at the end of the Assembly's first week, that the basic design of American policy towards the Korean political conference was "to do everything in our power to get our half-million young men home from Korea," seemed addressed to an American political audience rather than to his fellow diplomats. This remark sent cold shivers down the spines of the planners in the State Department and the Pentagon, in the first place because it was not true, and secondly because, even if it were true, a public declaration of such a motive would weaken the American hand disastrously at a Korean political conference.

★

Underlying the whole unhappy fortnight was the re-emergence of that difference in attitude towards the United Nations and its purpose, which has been growing imperceptibly between the United States and its principal allies for the past five years or more. With every General Assembly, especially since the Korean war, it has become a little more obvious that the United States regards the presence of the Russians and the satellite countries in the United Nations as an unfortunate accident, while the British and Commonwealth countries regard it as a godsend. In the American view the United Nations should be an activist organisation, wielding the force of the free world, while other nations regard its political functions as a means of relieving tensions which can no longer be resolved by ordinary diplomacy. This was latent in the conflict between the "two sides" and the "round table" approach to the Korean political conference, and it was for this reason that Mr Lodge's attitude was approved by the majority of American editorial opinion; his views prevailed, according to the *New York Times*, because they "happened to be right."

But the most powerful statement of this position came from the Secretary of State himself when he told the American Bar Association, in a speech delivered as the debate in the United Nations was reaching its most critical point, that the Charter would never have been accepted in its present form if the delegates had known of the existence

of the atom bomb, an assertion which the *Washington Post* described as "palpable nonsense." Mr Dulles went on to imply that the veto power is now unworkable because the wartime coalition on which the structure of the Security Council was based has collapsed, and to make a statement astounding to British ears but quite commonly accepted in the United States:

We see now the inadequacies of an organisation whose effective functioning depends upon co-operation with a nation which is dominated by an international party seeking world domination.

Yet the veto power was included partly at American insistence and it is still very doubtful if the United States Senate would ratify any revision of the Charter which excluded it.

The best explanation of Mr Dulles's remarks is that they were part of a speech in which he was putting up a fighting rearguard action against the Bricker Amendment to the Constitution which would limit the treaty-making power of the United States. He was also probably out to forestall American disillusionment with the United Nations by showing that it was an organisation that was capable of growth and change. Indeed, this week in his speech to the American Legion at St. Louis, he went so far as to claim that "the United Nations as the 'town meeting of the world' is the realisation of an early American concept." In that case, it is unfortunate that Mr Cabot Lodge, himself a descendant of the founders of the town meeting, should have so shaken the faith of other countries in the continuing American belief in this concept of the United Nations.

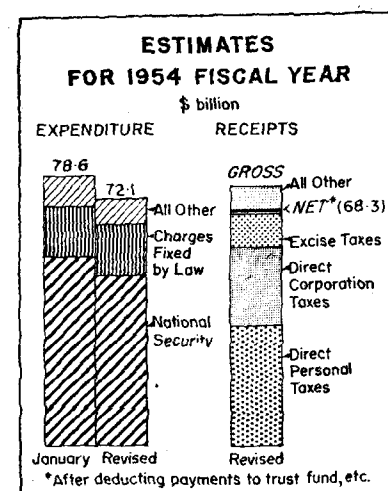
American Notes

Budget Turns the Corner

IT is only two months since the 1953 fiscal year ended with a surprisingly large deficit of \$9.4 billion, higher than ever before in peacetime. It was therefore with justifiable pride and pleasure that Mr Humphrey, the Secretary of the Treasury, announced last week that his latest estimate showed that the present fiscal year should close next June with a deficit of only \$3.8 billion, compared with Mr Truman's January forecast of \$9.9 billion and President Eisenhower's May forecast of \$6.6 billion. Moreover, Mr Humphrey now believes that it will be possible to balance the budget in the 1955 fiscal year. Thanks for these happy developments are due entirely to the combined efforts of Congress and the Administration to economise in government spending; revenue is expected to be slightly below Mr Truman's forecast, in spite of the extension of the excess profits tax.

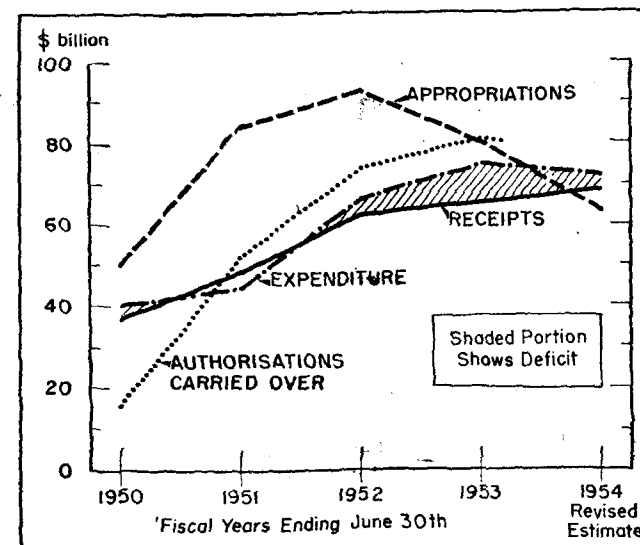
Mr Humphrey, with the help of an unusually clear exposition by the Bureau of the Budget, drew special attention to two significant turning points in the recent history of government deficits. The 1954 fiscal year is the first since the Korean outbreak in which net revenue is expected

to exceed the amount authorised by Congress for current and future spending, even though the Administration will be asking for about \$400 million in supplementary appropriations in January. This year's new appropriations are also below the estimate for actual spending, which is itself expected to decline, something which Mr Truman had not forecast until next year. At last some impression is being



\$500 million, which means that in practice the cash budget may be in balance.

It would not, of course, take much to push Mr Humphrey's balanced budgets around another corner, even if the estimates on which they are based turn out to be correct. A worsening of the international situation would



do it, or a decision to try to make the United States safe from the hydrogen bomb, or a recession which would reduce the tax yield, or even an exceptionally good harvest. Apart from increased interest charges on the national debt, the only place where the Eisenhower Administration has had to spend more rather than less is on the farm price support programme, as the result of the accumulation of agricultural surpluses. This is one of the many fields in which, as Mr Humphrey pointed out, the amount that must be spent is dictated by law. Present law also says that some \$8 billion of revenue will be lost in the 1955 fiscal year through the expiry of various taxes. These must either be extended or Mr Humphrey must find some new source of revenue, if he is to keep his balanced budget within sight.

Another Pull at the Debt

THE economies in government spending which have made the budget outlook so satisfactory have also made the Treasury fairly confident that the national debt will not hit its ceiling this year. The new securities which the Treasury offered this week will not add to the debt since these are merely refunding issues, available only to holders of almost \$8 billion worth of 2 per cent 10-year bonds which mature on September 15th. The Treasury, however, was anxious that its offer should be attractive enough to keep to a minimum the number of holders of these bonds who would insist on cash repayment; if any substantial amount of money had to be found for this purpose, future borrowing operations, which will include the raising of new money in October, would be hampered.

It looks as if the Treasury should achieve its immediate purpose. It has produced a "package" offer, giving holders a choice of 1-year certificates or 3½-year notes. A similar package last February was very successful, with only 1½ per cent of the holders of the maturing security demanding cash. But the February issues were also the first attempt of the new Administration to achieve its underlying purpose of extending the term of the national debt, and in this they were much less successful; practically all the refunding was into the short-term certificate. But this time nearly half the holders of the maturing bonds are corporations and other non-bank investors, who are not so concerned about liquidity as are the banks, and it is therefore hoped that many of them will ask for the longer-term note.

They should be drawn by the 2½ per cent interest rate, the highest paid on a 3½-year note for two decades. It is nevertheless what had been said to be needed if the issue was to be a success, and the 2½ per cent rate on the 1-year certificate has been the going rate since June; a maturing Treasury issue of \$2.8 billion was satisfactorily refunded at that price in August. The cost of carrying the national debt has, of course, gone up with higher interest charges and these latest increases will give additional ammunition to the Democrats who are already insisting that Americans are being overburdened as a result of Republican policy. But the Secretary of the Treasury maintains that it is worth a good deal for the government to be freed from the necessity of having to go to the market as frequently as it must at present.

Insupportable Wool

FOR the first time since its change of membership the Tariff Commission has just opened an important series of hearings. It has been directed by the President to discover whether wool imports are "materially interfering" with the Department of Agriculture's price support programme or "reducing substantially" the use of domestic wool. At the same time the Secretary of Agriculture was asked to carry out a study of the domestic factors that have contributed to the decline in the number of sheep and in the production of wool. Under the Agriculture Act of 1949 the annual production of shorn wool was to be held at 360 million pounds by a sliding scale of price supports. In

fact that figure has never been reached since 1943 and, despite supports each year at the maximum rate, output has only risen from 213 million pounds (greasy basis) in 1949 to 232 million in 1952, and is expected to fall to 229 million this year. Moreover, of the 232 million pounds produced last year over 100 million is now in the possession of the Commodity Credit Corporation as the result of its price support operations.

The growers blame this situation on low American tariffs and the use by foreign governments of export subsidies. Last year imports represented 72 per cent of American consumption. This year they began coming in at a similarly high level, but dropped sharply in April and May. So far the commission has only heard the representatives of the growers, who are asking that anything from 12 to 15 cents be added as a special fee to the normal tariff of 25½ cents a pound.

In this they have had some support from Mr John Davis who, as president of the Commodity Credit Corporation, wants to get rid of half of his stock and avoid accumulating any more. He has just decided to reduce his prices to the market level, but even so he thinks he will need seven cents on the tariff, although "in theory we at the Agriculture Department are opposed to trade barriers." No one seems to know whether the Secretary of Agriculture will favour his department's theory or his subordinate's practical calculation. At the moment he is being squeezed between the Senators from the western wool states who want him to come out strongly for "adequate import fees," and the President who has written to remind him of "my concern and reluctance with respect to any measure which tends to hinder foreign trade."

Reds Disbarred?

AT its recent meeting the American Bar Association declared that membership of the Communist Party was incompatible with the practice of the law, and called on local associations to obtain the exclusion from the bar of Communist lawyers and those refusing to answer questions about Communist activity. It was emphasised that "present fitness and worth" should be considered rather than "punishment for past deeds and mistakes," but the reluctant decision of the Attorney-General, Mr Brownell, to place the association's smaller rival, the National Lawyers' Guild, on his list of subversive organisations may make it difficult to preserve the distinction. Anyone who has ever belonged to one of these listed organisations finds it difficult to get his loyalty acknowledged, no matter how far back in history the connection may be. Unfortunately, it may not be remembered that Mr Brownell himself has taken note of the fact that "very well-known and completely loyal Americans" had once been members of the Guild, including coloured lawyers who used not to be allowed into the Bar Association.

As for congressional investigations, the association is to make a study of their effect on individual rights. In the meantime it has called for the setting up of local panels of lawyers from whom witnesses can get reliable advice. It feels that lack of objectivity on the part of some counsel may partly explain the regularity with which witnesses have invoked their right under the Fifth Amendment to the

Constitution to refuse to give any answer that might incriminate them. Of course, if the possibility were removed so would be the excuse: quick action next session on the Bill before Congress which allows committees to offer an indemnity to a witness is therefore urged in a unanimous report from Senator Jenner's Internal Security sub-committee.

The report includes an impressive list of former government officials identified by ex-Communists and laying constitutional claim to silence, and documents the claim that the last government took little notice of earlier warnings until congressional investigations aroused public opinion. The new Administration is obviously working to the principle that the only way to stop Congress stepping into the breach is to close the breach. But, according to a statement of Mr Brownell's in a recent interview, the Communists are now much better organised and therefore harder to detect, as the result of being driven underground by the conviction of their leaders under the Smith Act.

Fire Changes Gears

THE disastrous fire that gutted the new General Motors plant at Livonia, Michigan, has spread through the whole automobile industry. For the factory was the only source of the "Hydro-Matic" automatic gears, which are used not only in General Motors' own Cadillacs, Oldsmobiles and Pontiacs, but by other manufacturers as well, notably the Nash and Hudson companies. The immediate result was a sharp fall in car production; only 227 Cadillacs were produced in the week after the fire, compared with 2,067 the week before, and the year's output of cars of all makes may be cut by as much as 10 per cent. The interim result will be a general shifting of automobile gears, with the Buick "Dynaflo" transmission going into Cadillacs, "Powerglides" into Pontiacs, and standard synchromesh transmissions into Oldsmobiles. The long-term result will be better earnings this year for General Motors' competitors and more room in the overcrowded showrooms of automobile dealers, to both of whom the fire has come as a blessing.

One competitor who gained a special benefit from the fire was the Kaiser Motors Corporation, for part of its Willow Run plant, recently closed down after the cancellation of an Air Force contract, is being taken over by the General Motors Corporation. The "Hydro-Matic" equipment is being installed as quickly as the tools can be reconditioned, but it will probably be three months before full production can be resumed. In the meantime General Motors is determined to keep all its models in production, even if only in token numbers, in order that their names shall not drop completely out of the showrooms. For that might mean that the public would forget them altogether, since other makes of cars are in plentiful supply and will continue to be, unless something interferes with their manufacturers' plans. And General Motors does not want its share of the automobile market to fall, instead of climbing steadily as it has been doing for years. However, the company, even though it was under-insured, can afford both the fire and its after-effects since it is now responsible for nearly 50 per cent of all car sales and its only serious rivals, the Ford and Chrysler companies, for only about 20 per cent each.

future imperfect

Z/R6

Wild animals depend for their food on what they can find.

It is a hand-to-mouth existence. Man, having evolved the idea of agriculture, sows to reap. He cozens nature, making her amenable,

to produce his food *when and where he wants it.*

He asks only health and strength to work his fields,

peace to enjoy the fruits of his labour and a stable economy

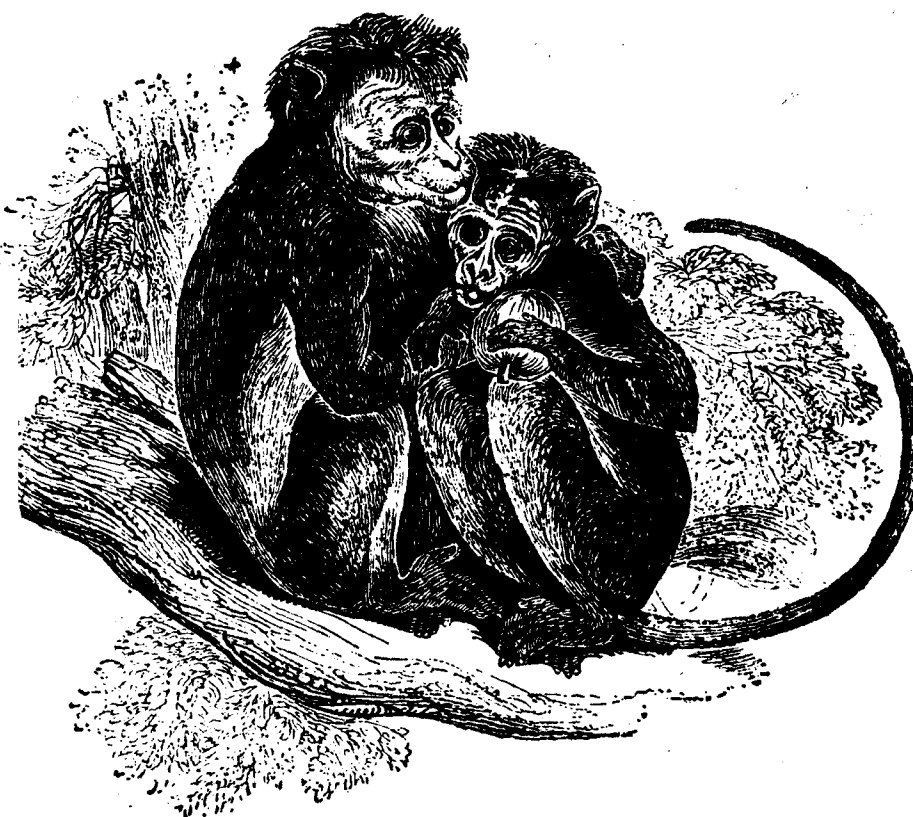
to ensure that he can sell and buy and exchange.

The main product of the Fisons business has for a hundred years

been chemical fertilizers, to enrich the soils of farms and gardens.

But they make chemicals for medicine and industry too.

Fisons contribute to Britain's harvests, health and wealth.



FISONS LIMITED • HARVEST HOUSE,
FELIXSTOWE • SUFFOLK

..... Fertilizers • Heavy Chemicals

Fisons are also among the largest manufacturers in Great Britain

of pharmaceuticals, medicinal food preparations and fine chemicals
for industry. Many of Fisons products in these fields are household names.

it's all in **FISONS** field



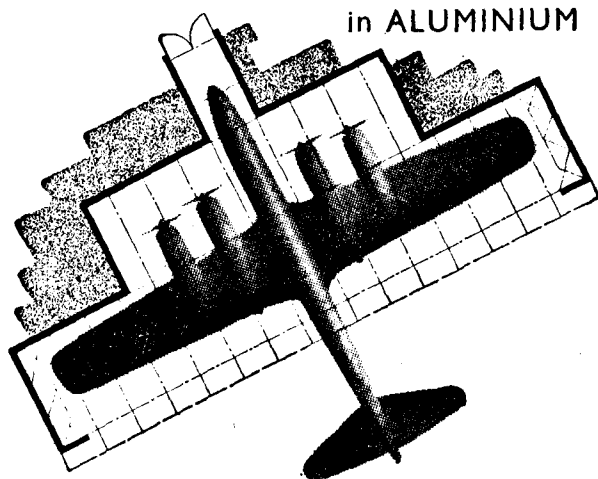
Drambuie originated in the Isle of Skye where it was made in accordance with the recipe presented to a Mackinnon by Prince Charlie in 1745. The secret remains in the same family to this day.

Drambuie

THE DRAMBUIE LIQUEUR CO. LTD., EDINBURGH

First Again!

AIRCRAFT NOSE-DOCKS in ALUMINIUM



S.M.D. Engineers now build Aluminium Nose Docks to provide cover and facilities for servicing aeroplane engines—eliminating the expense of complete hangars. These "Wing Hangars" are easily transported, and erected; delivery is rapid and, of course, no painting is required. Let us send you details.

ALMIN LTD · FARNHAM ROYAL · BUCKS
FARNHAM COMMON 595

Aluminium Hangars and Nose Docks are built by S.M.D. Engineers Ltd., of Slough, the construction company of the Almin Group.

"If it's Aluminium - ask Almin!"

AUTOMATIC ACCURACY

Replaces the 'CALL-BACK' CHECK!

SUPREMELY IMPORTANT TO THE ACCOUNTING WORLD

- ★ This method *automatically* proves or disproves accuracy of ledger posting.
- ★ Any errors are pinpointed *automatically*.
- ★ Trial balances may now therefore be confidently expected to 'come out' right first time and every time.

We assure you

- ★ no extra time added to the Book-Keeping Cycle.
- ★ no special Stationery, Furniture, or office lay-out.
- ★ no special Staff training.
- ★ no basic change of present methods.

**In your own interest
you should write for
further particulars to**

SUMLOCK LTD

1 Albemarle Street, London, W.1

Telephone: HYDe Park 1331

The World Overseas

Electioneering in Germany

FROM OUR SPECIAL CORRESPONDENT

IF Dr Adenauer wins next Sunday's elections, enthusiasm in the West will be justified; but it should not be boundless. Three outstanding features of the election campaign serve as a warning that parliamentary government is still not firmly established in Germany. One is the lack of speeches by candidates; the second is the party propaganda which, in varying degrees, all beats the patriotic, or nationalist, drum. And the third is the way in which even Dr Adenauer's present coalition partners play on public resentment against the western powers.

The seven parties who are fighting the election over the whole federal field have too little experience—not, in most cases, too little money—to convince the sceptical German public that its opinion is really being consulted. Though a high percentage of the electorate will doubtless vote on Sunday, most of the Germans will remain scornful of a system that is in any case branded with the label of the occupation powers. The public has been given no proper chance of hearing the candidates or the party leaders. In big capital cities like Hanover or Munich there have actually been days at the height of the campaign when no meetings have been held, and even at weekends the average has been no more than one or two gatherings. The contrast with the feverish activities of candidates in Britain is extraordinary—and deplorable.

In the Christian-Democratic Union's campaign Dr Adenauer is the beginning and the end. The situation is somewhat as if, in the 1945 election, the Conservative Party managers had taken Mr Winston Churchill touring the country, but the other candidates had stayed at home. The CDU organisers appear to think that Dr Adenauer is like an American president. They also seem to assume that their seventy-eight-year-old party leader is immortal. This fault will prove serious for the future, whatever party next Sunday's poll returns. Dr Adenauer, with his special train and panoply of motorised police (and fifty journalists), is indeed drawing the largest crowds, but nobody can maintain that he is establishing parliamentary democracy.

The fifty journalists who accompany Dr Adenauer have not filled the papers with his speeches; nor have the arguments of other speakers been reported to any extent. This is because the German press, since the battering it received under Hitler, has been timorously non-party. The election campaign hardly features in its columns, and then mainly in the form of reports of the numerous injurious actions for slander that have been taken by politicians against each other. The radio services have, indeed, car-

ried party speeches, but they lack that essential element of a campaign, the questions from the audience.

The slogans that the various party managers have chosen for placards do little to show the voter what difference there is between one party and another. All of them stress blatantly nationalist or patriotic themes. "For Germany, vote Adenauer," says the CDU. "Strengthen the Right Wing," shouts the extreme *Deutsche Partei*. "We stand for the German Reich," says the Right Wing of the Free Democratic Party. The Social-Democratic Party (SPD) and others denounce the European Defence Community with its linked "Germany Treaty," while on election posters not a single party supports them. Yet it is probable that this competition in nationalism among the party publicity chiefs does less than justice to the public. It would seem from the election audiences that the most burning issues are not German reunion, but pensions and compensation for the vast army of refugees, the bombed-out, the former civil servants and former members of the *Wehrmacht* (including the *Waffen SS*); while in Württemberg-Baden, the familiar continental controversy over Church schools overshadows all others. The party that acts simply as a champion of bigger payments to the victims of the war—the BHE—draws big audiences, particularly from the eighteen million women voters.

As champion of the workers, Social-Democrat speakers are making the most of the fact that the German income tax has been reduced to a greater extent in the higher than in the lower income categories. But they are embarrassed by the fact that employed Germans are not deeply discontented. This comparative lack of resentment against social inequalities has somewhat offset the most serious blow that Dr Adenauer had during the election—the Trade Union Federation's intervention in the campaign against the present coalition parties. Socialist and trade union speakers blame the government for hardships, and government speakers blame the occupation powers. Dr Dehler, Minister of Justice, and a leader of the Free Democratic Party, speaking in Munich last week, actually listed among Allied iniquities "the brutal currency reform, which was not our measure, but the military government's."

It is possible the government parties are too timid about the European Defence Community as an election slogan. There are symptoms to show that the public is not on the whole very antagonistic to the idea. For one, the neutralist party of Herr Heinemann, a leader of the Protestant Church, has been hard hit by its alliance with the group led by

Dr Wirth, which is known to have the blessing of the East German Communists. It is also a sign of the times that, in the experience of your correspondent, no speaker has met with more rapt attention than a Free Democrat ex-general of the *Luftwaffe*, Schulz, who produces reasoned arguments against neutrality and for an alliance with the West. True, his grounds are not altogether reassuring for British ears, as the General does not suggest there was anything wrong with Hitler's Wehrmacht except that it had no strong ally; and he is sure that, even without the European Defence Community, America will rearm Germany. But at least General Schulz pointed out that Germany cannot defend itself alone and belongs to the West. He was therefore a contrast to ex-General Andreas former commander in Crete, and recently released from Allied imprisonment. This general, speaking for the extremist German Reichs-Party in Lower Saxony denounced the Bonn treaties and declared, amid enthusiastic applause, that a rearmed Reich must defend itself against West and East, and Germany "stretches to Tilsit." The DRP has been banned in all but three *Länder* and is robbed by legal action of Dr Naumann and the air-ace Colonel Rudel, both of whom were to have been candidates. Nevertheless, if one DRP candidate is returned by direct election the party may still have a dozen members in the next Bundestag. This would not be serious, if it were the only party that represented those Germans who have learnt nothing and forgotten everything; but, unfortunately, nationalist elements are present in every one of the parties, the Social Democrats being freest of them.

Bombs in the Soviet Press

SINCE Beria's fall the Kremlin has given the impression of suffering from schizophrenia. It tolerates articles, broadcasts, statements and decrees contradicting each other, moving in different directions. It sometimes looks as if Soviet leaders were trying to ride on two horses at the same time. Some moves fit in with the spirit of reform inaugurated after Stalin's death, while others indicate a toughening of the line. The explanation of this split mind probably lies in the existence of two opposing trends within the councils of the Kremlin. Behind the monolithic surface of Soviet leadership a struggle is being waged over policy as well as over power, and it finds an echo at all levels of Soviet political and economic activity. This duality is well illustrated by two items published recently in the Russian press, one marking a step backwards towards Stalinism, the other a startling departure from precedent.

The Soviet hydrogen bomb did not have to wait long to be celebrated in verse. Ten days after the announcement of the first explosion the *Literaturnaya Gazeta*—organ of the Soviet Writers' Union—published on its front page a "soldiers' song" starting with the words:

Defence is our glory
The work of all the nation
We have the atom bombs
And the hydrogen as well.

This strange "ode" went on to say that this is obviously not a threat to the peace-loving, but a reminder to the quick-tempered on the other side. Russia, it argued, stands

for disarmament and peaceful negotiations between nations. At the same time a rattling of the sword could be detected in the references to the "terrible might" of the Soviet Union which, though it does not want war, "has everything which is needed."

The text of the poem as such has no other interest than as a "literary" curiosity. It is a primitive versified rehash of Malenkov's words on this subject. What is significant, however, is that such a thing should now be written, published and probably soon sung by thousands of Russian soldiers. Similar absurd songs were popular during the war. But for such a poem to be published now, the editors of the journal must consider that a touch of jingoism and a rattling of the sword would please the military and find favour with a section of the Kremlin.

Last week, on the other hand, *Pravda*—the party's official daily newspaper—presented its readers with a different sort of explosive material. It republished large extracts from a pamphlet on the international situation supposedly written by an American steel magnate, Mr E. T. Weir, after a journey abroad. Mr Weir's findings were not in themselves startling. They echoed things which have been said in many West European papers. Indeed, the purpose of the pamphlet, as reported by *Pravda*, was probably to draw attention to the discrepancy between European and American reactions. The Europeans, the argument runs, do not pretend that they know more about the Soviet Union than the Americans do. They think, however, that forces operating towards peace are at work there as well as in the West; that Moscow will not start a war; but that, on the other hand, it is idle to expect a Soviet evacuation from Eastern Europe as the price for a settlement.

All this—the divergence of views in the western camp, and assurances of Moscow's peaceful intentions—is part of the usual stock-in-trade of Soviet propaganda. Yet, the way in which it is written and shown to the Soviet public is not. Indeed, many a reader of *Pravda* must have gasped at finding in his paper, without any comment, references to the Soviet Union which for the last twenty years could have been heard only in foreign broadcasts. In one place it is described as a totalitarian state; in another the possibility of "a certain liberalisation of international relations and of the internal regime" in Eastern Europe is discussed. And yet another startling passage predicts that the most that can be expected from a settlement "is . . . that a period of peace may prompt Russia to weaken its iron control over its neighbours, which has only gained strength during the six years of the cold war." (Our italics.)

Totalitarian regime, satellites, Russia's iron hand—this is an extraordinary dish to be put before the Soviet public. And this revolutionary change has not been brought about unintentionally, or by mistake. Such things could not be published on two consecutive days in the party's official daily without the approval of some members at least of the supreme leadership of the party. Besides, since extracts were only quoted, it would have been quite easy to delete inconvenient passages. Thus, undoubtedly, some Soviet leaders judge it worth while to put more truth into *Pravda*.

Is this a prelude to more plain speaking, to a liberalisation of the Soviet press or is it an isolated move? The tug-of-war goes on behind closed walls and the outsider cannot judge whether the diehards have enough strength to defend the citadel of Stalinism. He can only take note of occasional bombshells which show that the battle goes on and wait till the balance of forces becomes more apparent.

India and Sheikh Abdullah

FROM OUR CORRESPONDENT IN INDIA

FURTHER negotiations on Kashmir have begun this week between Delhi and Karachi. These are necessary to settle preliminary issues about the withdrawal of troops before a plebiscite administrator can be appointed under the recent agreement between Mr Nehru and Mr Mohammad Ali. In Kashmir itself, Sheikh Abdullah's disappearance does not mean that India cannot win a plebiscite in the Valley—it only means that both its chances and its eagerness are reduced. The new Premier, Bakshi Ghulam Mahomed, is personally not liked and his brothers get far too many army and government contracts for the public taste. But he is a superb organiser and he has begun very shrewdly. The Kashmiris judge their government by no high-falutin' tests; they consider first what it does for their bellies, and, on this score Bakshi is doing well. The price at which the government buys the peasant's rice has been raised, the price at which it sells it to the Srinagar consumer has been lowered. The salaries of clerks and teachers are being raised, the import duty on salt has been abolished. Committees are being set up to investigate corruption and nepotism amongst government servants, and the irksome monopolies which Sheikh Abdullah, with his socialist ideas, gave to the co-operatives, are to go.

Bakshi is careful to insist on Kashmir's autonomy and on how little last year's Delhi Agreement limits Kashmir; he knows that the whole attraction of the present regime to his people is the more than semi-independence it gives them—and being much weaker than his predecessor, he must display more of the trappings of autonomy. Yet Bakshi does not flaunt this inherited autonomy at India, as his predecessor did; certainly he does not, like the Sheikh, in his last days, hint at independence, or circulate a draft constitution in which Kashmir would keep communications and defence, or place India and Pakistan on a par as countries between which the Kashmiris must choose. He is definitely on India's side—provided Kashmir's autonomy is not touched; provided, too, India continues to defend and subsidise Kashmir without getting anything in return.

Agitation in Jammu

The split between India and Sheikh Abdullah goes back to the election of the Constituent Assembly in 1951. The Assembly was elected at Abdullah's insistence, but it was India which had to accept the UN's displeasure; and in the elections the National Conference—Abdullah's party—won all the seats. In the Kashmir Valley, since the pro-Pakistanis were not standing, this may well have represented the electorate's views. In Jammu, it undoubtedly did not. The main opposition party, the Parishad, withdrew on the grounds that the elections were being rigged, and proceeded to start a movement for complete accession of Kashmir to India. This movement was not in the early months very important, but, as time went on, it brought two points very forcibly to the attention of the Indian public. First, they discovered (what many of them had not known) that there was a Jammu, that it was quite distinct from Kashmir, and that it had a whole series of grievances even against the best

reforms of the Kashmir government; all the provisions of the land reforms, for example, were based on Kashmir conditions, and did not always apply to Jammu's drier soil and different social structure. The agitation thus made Jammu's main point. The Indian public will now regard it as a grave dereliction of duty if their government accepts a plebiscite on terms which do not make it certain that Jammu, and also Buddhist Ladakh, can come to India whichever way the Valley votes. Anxiety over the Prime Minister's communiqué has only been quietened because of widespread reports of a private agreement that any contiguous area which votes for either country will go to that country whatever the overall results.

The other effect of this Jammu agitation, quite limited and partly inspired by vested interests though it was, was even more important. It revealed to India how near independence Sheikh Abdullah's autonomy was, how many privileges it involved for Kashmir, and how few duties. It also made Sheikh Abdullah feel that communalism in India was there, as he himself put it, "under the skin." Had not the communalist parties of India supported the Jammu Parishad? Abdullah increasingly felt that more time was needed to decide the Kashmir problem, that perhaps the idea of independence which the Korean war had made him discard, should be disinterred, that despite past Pakistani aggression, India and Pakistan should be considered equally as possible patrons of Kashmir. He refused to talk to the Parishad leaders and he forcibly put down their agitation.

Indian Indignation

The government of India supported him, but there was increasing uneasiness in India. In so far as the people of Jammu were Hindus wanting freedom from Moslem rule, they got little sympathy; that was communalism. But, in so far as they were asking for the Indian fundamental rights (including the right of compensation for property taken in land reforms which Kashmir alone has not allowed), for the Indian flag, and for completely common citizenship, it was difficult for Indians to see why their demands were unreasonable. Yet the proceedings of the Constituent Assembly made it increasingly clear that Abdullah would never accept them, that he wanted the absolute maximum of separateness. India had thought that the Constituent Assembly would define Kashmir's relations with India, would make it part of India, with however special a status. Instead the Assembly clung to every symbol of sovereignty.

Eventually in the summer of 1952, pressure from India forced Sheikh Abdullah to come to Delhi to discuss the position, and the Delhi Agreement was the result. Yet the Agreement only led to a further drifting apart. So strong was the tail wagging the dog that Sheikh Abdullah got what he wanted; the Maharajah went, though he was popular in Jammu; the State flag was recognised; residuary powers were to be with the State. In return, India got the power of reprieve for the Indian President and the recognition of the Indian Supreme Court as the tribunal for dispute between the Centre and the State. All the other vital issues, like fundamental rights, citizenship, financial integration, were postponed. And over the last months it has become more and more clear that Abdullah was determined to do nothing about them. This not only distressed Delhi and gave a fillip to communalism in India; it also split the Kashmir Cabinet. The two Hindu members were

naturally, not satisfied, and Bakshi was sufficiently practical to realise that Delhi, long suffering though it had been, was bound in the end to turn. The crisis came when Abdullah demanded the resignation of one of his Hindu Cabinet Members, only to find that Bakshi—the party organiser—had turned against him and taken the party away from him.

In India, Abdullah's dismissal has been a great shock. If even he, the friend of Nehru, cannot be trusted, then, it is felt, no Moslem can. India is the more indignant in that the Indian public feels its virtue in Kashmir has got it nothing but kicks from all sides. India went into Kashmir at Kashmir's request; it has not interfered in internal matters, it has spent millions of pounds, lost many lives, incurred world criticism and Pakistan's hatred. For what? So that Abdullah can behave worse than Syngman Rhee, who if he is tiresome at least provides most of the troops. The reporting of Abdullah's speeches in Kashmir has always been censored by the Kashmir government. The Indian public had, therefore, been quite unaware of what he had been saying over the last few months until the week-end of his dismissal; and they had never understood how very special a status he had always demanded for Kashmir. Now they are disgusted. They would like to see the issue settled and the plebiscite over. The only doubt is whether the extremists in Pakistan may not still succeed in substituting their old talk of hatred and jihad for those words of love and friendship with which Mahomed Ali has so beguiled Indian ears.

Germans Under the Gosplan

THE Soviet Empire is centralised to an extraordinary extent. If Whitehall were to fix the annual production of aluminium in Canada, or the number of sheep in Australia, the situation would hardly be more fantastic than that created by the Moscow bureaucrats. The failings of this centralised system can be seen in the Soviet Zone of Germany. The iron curtain does not hide what goes on there. Many German economic technicians and officials have come across to the West with first-hand details at their disposal. The Ministry of All-German Affairs in Bonn issues excellent booklets on the Eastern Zone, and other surveys are produced by the Berlin Institute for Economic Research. The system they describe is peculiar to East Germany and Austria only in that the Russians have actually owned the leading industrial plants and the uranium mines in that part of their empire.

The experts of the All-German Ministry are convinced that the Russians run Eastern Germany almost entirely as part of the Soviet Gosplan; that the planners in the state central planning office in Moscow hold the reins in East Berlin. For that reason, the accompanying chart does not show the pattern of government as it appears to the public, but as it actually is. This way of depicting the Soviet colonial system admittedly leaves out of account the influence that Molotov must have on the Soviet High Commission, and the fact that—until the fall of Beria at any rate—the East German security forces were responsible directly to their superiors in Moscow. But in the main, the chart correctly shows the lines of force radiating from the Gosplan office in Moscow.

The first lesson that a study of East Germany brings out is the dominating position of the local planning commission, which is the decisive, all-pervading force, stemming direct from the Gosplan. The integration of satellite economies in the Soviet five-year plan is complete. According to the report prepared by Dr Otto Walther for the Ministry of All-German Affairs, all the satellites and the Soviet Union are combined in a plan which is one of three drawn up in Moscow. The other two concern the Soviet Union alone, and the Soviet Union with China. China does not simply accept Gosplan orders, but the satellites have to follow without question targets of output laid down in Moscow each year. The local planning commission has to plan for adequate raw materials, investments, subsidies and labour, and has to submit its results for approval by a department of the Soviet High Commission that works under the Moscow Gosplan. Furthermore, the High Commission has to decide what East Germany exports and imports. The system is completely rigid, with no latitude for individual industries—or even "Ministries"—to change the targets that are laid down as law by the Plan Commission. This body, run exclusively by members of the Socialist Unity (Communist) party, works in the strictest secrecy. It can order arrests. Any factory manager who might, in a free country, meet an emergency by showing initiative, is afraid to move. It is easier to "cook" reports, and this is constantly done. The few remaining private businesses in East Germany are no more free than the nationalised industries.

Planners with Power of Arrest

The central planning commission is itself a vast, complicated structure. The Plan Control department, with sections for industry, finance and labour, has the task of supervising the execution of the plans down to the individual factories. It lays down the percentage figures that may be published and works closely with the central statistical office—and checks the political reliability of that key body's personnel. It is the only section that has the actual figures of production (in so far as they are not already distorted by the factory managers), and other decisive data. Its chiefs have the right to demand arrests for economic offences.

The financial section of the Planning Commission is responsible for co-ordination and for supervising the investments, subsidies and other financial affairs of branches of industry. Moreover, it supplies the so-called "plan values" which form the basis of the economic plan as a whole. It also fixes the production costs and selling (if such a capitalist term as selling can be used) prices that are to be taken as the basis for the financial plans for the individual factories, as well as for administrations and groups of nationalised or communally owned industrial, trading and agricultural enterprises.

The Soviet planning system is obviously dependent for its efficiency on the statistical office. But German statisticians, some of them on the basis of direct experience, condemn the Soviet statistical methods as inaccurate and primitive by western standards. The inaccuracies lie in two faults, both inherent in the system. The first is the actual method of calculation, and the second is the political terror, which induces factory managers and others at the lowest level to return false figures for fear of punishment. All enterprises, whether publicly or privately owned, have to send in statistical data, and key factories or mines have to do

THERE ARE BIG NEW MARKETS IN CANADA for men who move FAST!

THE MEN who are developing Canada's riches have never let distance mean a loss of time or of the personal touch. They think in terms of *flying hours*. And remember, the flying time between London or Prestwick and Montreal by a TCA Skyliner is less than between many Canadian cities. Canadians want you over there to talk business—and they like you to come by Canada's own Air Line.

AIR FREIGHT—Ask TCA about fast delivery of goods across the Atlantic to anywhere in Canada.

Book with your Travel Agent—across the Atlantic and on the TCA North Atlantic Network. TCA links you with all Canada and major U.S. cities.

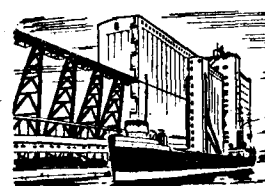
FLY



TCA

MAPLE LEAF SERVICE

KNOW YOUR CANADA



SOME of Canada's huge wheat harvest is stored in this grain elevator at Port Colborne, on the Great Lakes waterway. You can be in the heart of the wheat belt in 7 hours by TCA from Montreal.



TRANS-CANADA

OVERNIGHT TO CANADA EVERY NIGHT

Air Lines



A gracious welcome to your guests

20/- bottle • 10/6 half bottle



His Future

like nearly 5,000 other boys and girls in our care depends on YOUR HELP

69,000 Children already received

LEGACIES can help us to continue our work in the years to come. DONATIONS can help us NOW
A VOLUNTARY SOCIETY—NOT STATE SUPPORTED

CHURCH OF ENGLAND

CHILDREN'S SOCIETY

Formerly WAIFS & STRAYS
OLD TOWN HALL, KENNINGTON, S.E.11

IF YOU BUY POWER

Power from the firms that make up THE BRUSH GROUP

Turbo-alternators, transformers, generators, switchgear, and electric motors

from **BRUSH** Diesel and petrol engines

from 1½ to 100 b.h.p. for agricultural, industrial and marine use

from **Chater** Diesel engines, power units,

alternator sets, marine propulsion and auxiliary units from 37 to

200 b.h.p. from **McLAREN** Diesel, gas and dual-fuel

engines from 5 to 2,000 b.h.p. for marine, industrial and heavy-duty

applications from *National*

Industrial diesel engines and marine propulsion and auxiliary engines

ranging from 135 to 3,000 b.h.p. from *Mirlees*

Power from the most closely-knit organisation

of its kind in Britain, THE BRUSH GROUP



★
Stands 5 Row O
and 5 Row P
National Hall
★

you should know about **THE BRUSH GROUP**

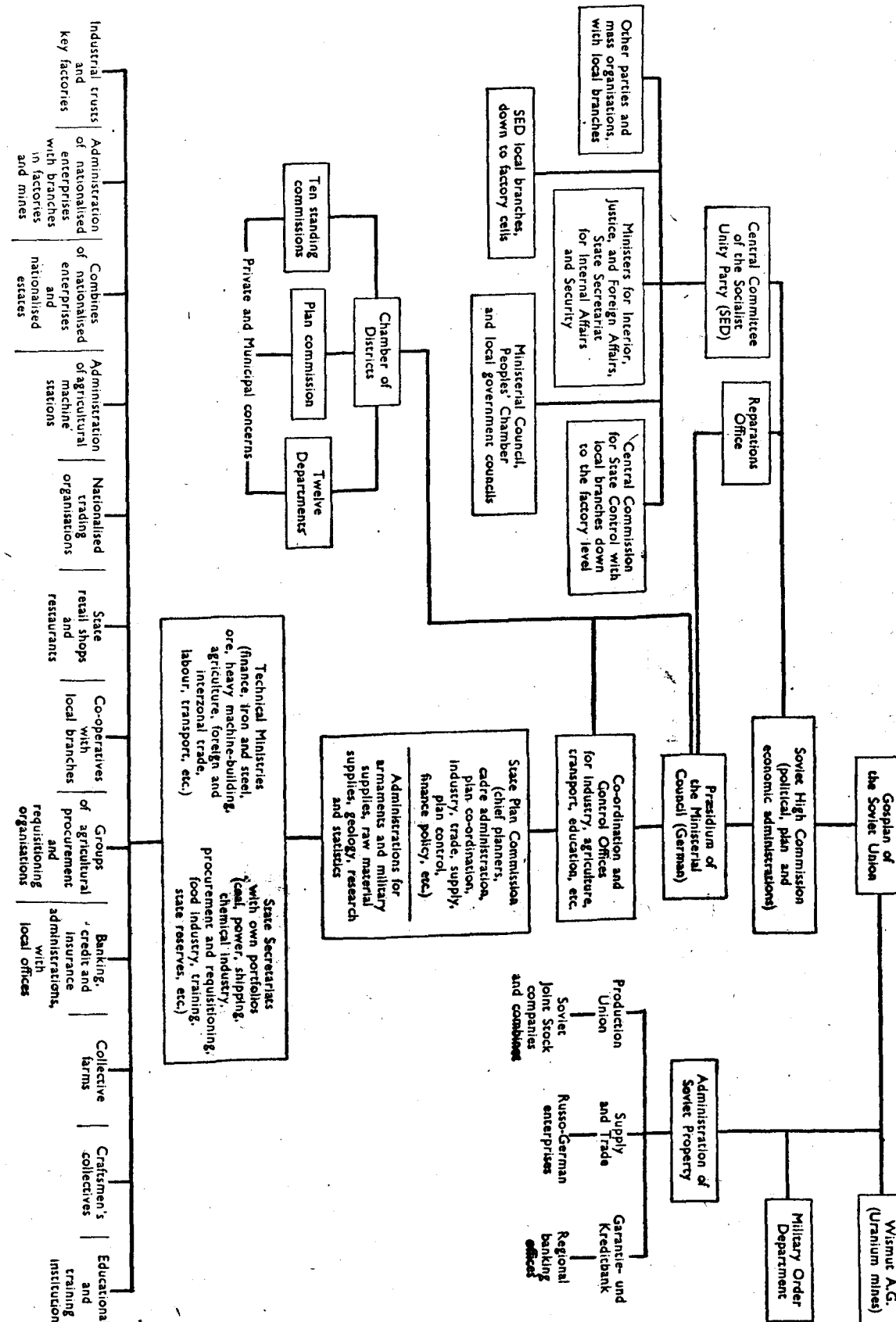
IF YOU BUY POWER. If you are a commercial attaché, in charge of an irrigation project, a mining engineer, a shipowner . . . if you buy engines for power stations, trains; if you buy power to light a city or pump oil, excavate a building site, or do the hard work on a farm . . . you will be interested in THE BRUSH GROUP.

Here we have gathered in one group the leading British diesel and electrical equipment manufact-

urers. Within this Group are a shared knowledge, an extensive range of manufacturing experience, world-wide servicing facilities, and a company of designers, engineers and craftsmen with a unique variety of technical skills. With this Group organisation and experience, it is certain that we can help considerably in any problems you may have connected with the supply and maintenance of power for your special needs.

THE BRUSH GROUP, DUKE'S COURT, DUKE STREET, ST. JAMES'S, LONDON, S.W.1; AND THROUGHOUT THE WORLD

STRUCTURE OF GOVERNMENT IN THE SOVIET ZONE OF GERMANY



Source: Ministry for All German Affairs, Bonn

so every ten days. The amount of data required is immense. The returns are collated by the central office, according to units of quantity and "plan values." (Plan values are those fixed for each individual unit of production.) German experts have found that, owing to the great differences in the values fixed in various years, difficult calculations are necessary in order to arrive at an accurate comparison of production from one year to another. Mere comparison of one set of published figures of gross production with the previous year's is misleading.

Professor Bruno Gleitze, of the Berlin Institute for Economic Research, has pointed out how important is the process of deception that begins in the factories of the Soviet world. In the west, a product is only counted if it is really saleable. In the Soviet area, everything counts that has been produced, and in most cases nobody knows or cares whether it is usable until complaints are made. This constant difference between calculated and actual stocks led in the autumn of 1952 to tense conflict between the Soviet Zone Ministries and to whole staffs being changed in the economic administration. The administration's plan reports incorporate all the distortions in calculations made on a lower level, in order to exaggerate successes or hide failures. It would be difficult for the administration deliberately to "cook" figures; it is more convenient not to make corrections. Through the cumulative effect of this distortion, fantastic results emerge. For example, the Soviet Zone economic administration maintained that in 1952 the level of industrial production had reached the index figure of 158 (1936=100). By cutting out distortions, the Berlin Institute concluded that production can at best have only reached the figure of 108. The most important corrections that are not made by the East German authorities are the deletion of raw material imports, and allowance for the continuous increase in prices and for changes in the Soviet plan.

Chain of Errors

The following values are used as the basis for planning in the Soviet area: gross production value, net production value, effective value (taking into account gross production cost and gross "selling" price) and, lastly, the so-called "goods production value." The last figure roughly represents the delivery value in capitalist economy. It includes the value of all goods that actually leave one particular branch of industry, combine or single factory. That is to say, quantities that are used inside the factory are deducted. Figures of gross production include total output even when it is used in other branches of production. This method of gross calculation means that output statistics are duplicated over and over again. When figures of gross production are published (in percentages) it must be borne in mind that they consist of an addition of all returns of gross output for all branches of industry, with this duplication hidden in them. No adjustments, such as all western statisticians make, are made to render Soviet statistics accurate.

Neither the cost of production nor the selling prices are the same as the "plan values," which serve the purpose of making the addition of different kinds of product possible. The Soviet German authorities themselves have warned their offices that these values are not to be taken as the basis for taxation or other financial calculations. As the values are changed from year to year, apart from containing duplications, they offer little basis for the outside statistician to

compute the progress of Soviet production. A system originally designed as a rough and ready method of planning for the highly diversified Soviet Union at the outset of the Bolshevik economic revolution has been applied to the whole Soviet area with hardly a change. The result is that a long chain of errors passes upwards to the Gosplan headquarters in Moscow, and is returned in the form of immutable key target figures to the uttermost corners of the Soviet empire.

Satellite Trade with China

IN an unusually frank announcement the East German Ministry of Foreign Trade has admitted the failure of its trade with China. The fault has been almost exclusively on the side of the Germans, since they have failed to carry out their export programmes; but the Chinese have not helped by rejecting certain deliveries as unsuitable. As the propaganda machines of both these Communist states have in the past been loud in their praise of this trade and wildly optimistic about its future, the present set-back will be hard to swallow.

Trade between the two countries is of the familiar balanced bilateral type. In the original agreement, signed in 1950 with the usual fanfares, East Germany was to export goods to the value of 520 million roubles to China and to take imports to the value of 390 million roubles. Things did not work out that way: the Germans were forced to ask the Chinese to reduce both sides of the agreement. This was agreed to, and the targets were fixed at 213 million roubles for exports from East Germany and 290 million roubles of imports from China. The new agreement signed in Peking on April 30th of this year envisages some increase beyond these figures, but to nothing like the original 1950 targets. The main trouble has been the inability of the East Germans to supply the type of goods the Chinese want, such as armaments, machine tools, heavy machinery and electrical equipment. The East Germans could supply specialised optical equipment and cameras as well as a range of consumer goods. The Chinese for their part cannot be happy with the arrangement whereby their exports of such commodities as feather, bristles, and tung oil, are re-sold to the West by the satellites—presumably at a profit—when a ready market is open to them in direct trade with Western countries in these things.

A new ruse which the East German government is reported to have tried, is an attempt to woo Western countries, particularly the Federal Republic, with an offer to act as an intermediary in trade with China. In a sense they do this already in being host in East Berlin to the China Import-Export Corporation; but, presumably they have ideas of grabbing a permanent share of the entrepot trade in the West's dealings with China.

The end of the Korean war may well shake the whole basis of Chinese trade with the Soviet bloc. China's need for armaments and strategic goods will be reduced, and the type of goods it requires for its industrialisation programme are to be obtained more easily, and probably more cheaply, from the West. The Chinese may be realising this more acutely now; but everything must wait upon a political settlement. Meanwhile, the West probably stands to gain by a policy of "wait and see."

Doing a useful job

No. 6 of a Series

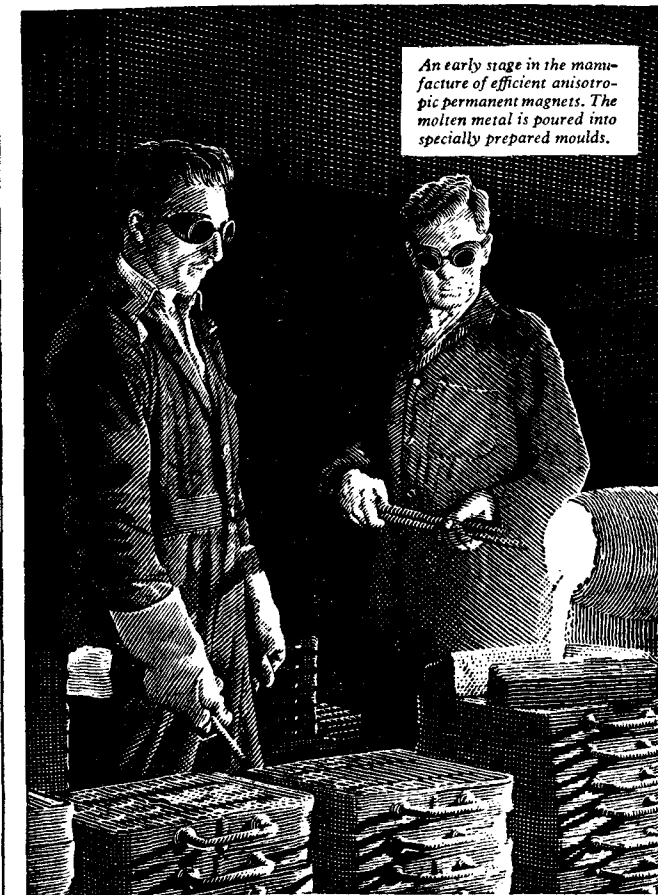
CLEAN COAL

The growing use of mechanical coal cutters and the working of thinner and poorer seams inevitably increase the amount of dirt in the coal that reaches the pithead. Efficient coal cleaning is more than ever essential to prevent trouble at power stations, coke ovens, gasworks and other coal-consuming plants, and to avoid burdening transport systems with millions of tons of rubbish. Simon-Carves have been building coal washeries for half a century. Plants by Simon-Carves are today responsible for nearly half the coal mechanically cleaned in Britain, and post-war plants built abroad have earned handsome amounts of foreign currency.

coal washeries • coke ovens • power stations • sulphuric acid plants • chemical plants • gasworks by-product plants • sintering plants • ore concentration plants • materials handling plants • industrial gears • flour and provender mills • and many other specialities



SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD



PROGRESS IN ELECTRONICS

MANY of the great technical achievements of this age stem from scientific investigations that have led to improvements in the properties of materials. This is especially true of the electronics industry.

The rapid progress in electronics has been marked, for instance, by the development of new and improved magnetic materials. One of the most important of these is an efficient anisotropic or directional permanent magnet. Another is a magnetic ferrite of exceptionally high permeability eminently suitable for the cores of high frequency inductances. A third is a non-metallic permanent magnet which is actually a true ceramic.

All these remarkable materials, which were pioneered in this country by Mullard, have had a considerable influence upon the design of better and more compact electronic components and apparatus. Their successful use is due in no small measure to the work undertaken by the Mullard Applications Advisory Service, which is itself backed by a comprehensive research organisation.

Mullard

MULLARD LTD., CENTURY HOUSE, SHAFTESBURY AVE., LONDON, W.C.2

Factories at: BLACKBURN • FLEETWOOD • GILLINGHAM
HOVE • MITCHAM • WANDSWORTH • WHYTELEAF

(MF397L)



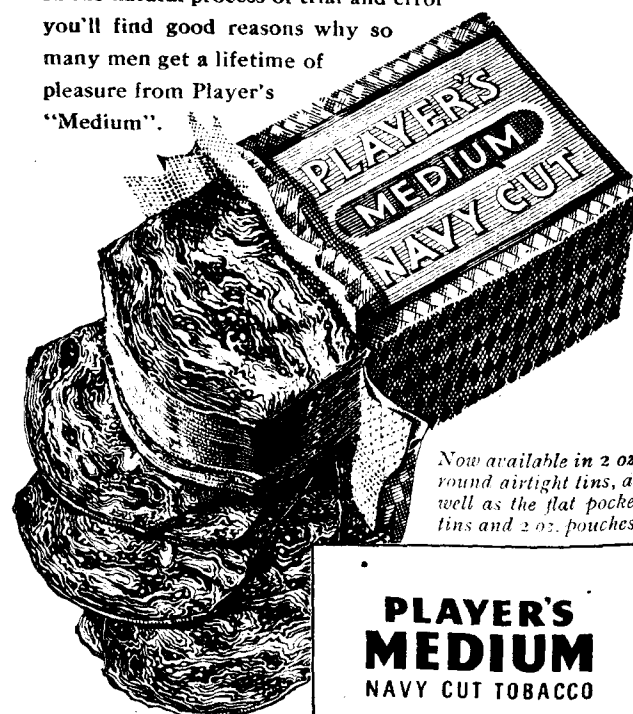
Consult your Travel Agent or write for literature and information. This office is at your service for free, friendly and non-commercial advice on holidays in South Africa.

SATOUR SOUTH AFRICAN TOURIST CORPORATION
70, PICCADILLY, LONDON, W.1

TELEPHONE: GROSVENOR 6235
475 Fifth Avenue, New York 17

The choice of a lifetime

In the natural process of trial and error you'll find good reasons why so many men get a lifetime of pleasure from Player's "Medium".



[NCT 75H]



THE BUSINESS WORLD

Where Real Resources Go

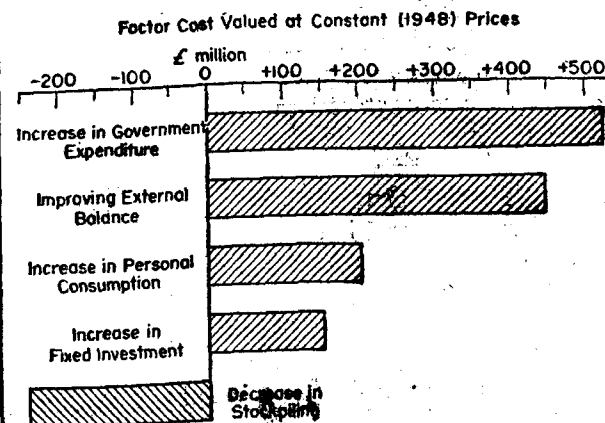
THE veering course of the British economy since the war defies comprehensive statistical analysis—even in the fifty different tables that the Government statisticians have spread across ninety-eight pages of very closely packed figures and text in this year's report on National Income and Expenditure.* But in these latest estimates, covering the seven postwar years to end-1952, the Central Statistical Office has once again provided the economic analyst with his best annual opportunity for taking a long, hard look at where the British economy has got to now. The CSO's estimates—as usual they are heavily revised estimates—now put the total of money incomes in Britain in 1952 at £13,653 million, or £977 million higher than in 1951, and very nearly £5,000 million higher than in the first complete postwar year.

When utilising these figures as an indicator of economic trends, however, it is better to take 1948, rather than 1946, as the starting point for analysis; it is legitimate to regard 1946 and 1947, when the after-effects of war—with some help from Dr Dalton—were twisting the economy out of all recognisable shape, as years that were too bad to be true. The rise in money incomes and expenditure since 1948 is shown in the first two of the accompanying tables, and the rise in expenditure in real terms is shown in the chart. It will be seen that in this period Britain's national income rose by £3,437 million (or by over 33 per cent) but more than two-thirds of this increase was due to the rise in prices. Of the "real" increase of £1,093 million (in terms of 1948 factor costs) £526 million was absorbed by an increase in government expenditure and £204 million by an increase in personal consumption, while £447 million went towards improving the

external balance; hence, over these four years, £84 million of resources had to be found by allowing real expenditure on gross capital formation to run down.

Within these individual constituents, the increase in defence expenditure accounted for two-thirds of the increase in public authorities' expenditure. It rose by £747 million (to £1,481 million) in money terms, and

WHERE THE INCREASE IN RESOURCES WENT 1948-52



probably by around £400 million in real terms. The increase in social service expenditure, especially in the health service, accounted for the rest of the rise in real public expenditure in these four years. Purely administrative expenditure in the public service still remains much lower than is commonly supposed. A new table in the blue book estimates public expenditure on "general administrative services" in 1952 at £131 million, that on "law and order" at £78 million, on "overseas services" at £41 million, and on "environ-

* Published this week as a blue book by H.M. Stationery Office, 6s. net.

mental services" (roads, sewerage, fire service, etc.) at £189 million. The first lesson to be drawn is therefore a familiar one: namely, that it is nonsense to suppose that anybody can solve Britain's economic problem merely by looking in the direction of administrative expenditure and making a magic wave of the axe.

TABLE I.—GROSS NATIONAL INCOME, 1948, 1951 & 1952
(£ million at current prices)

	1948	1951	1952
<i>Person's Income after Tax</i>			
Wages, salaries, forces' pay....	5,853	7,286	7,891
Income of self-employed and investors	1,924	2,150	2,146
Pensions and social security incomes	690	777	897
Withdrawals from personal tax reserves.....	35	— 44	50
Personal disposable income.....	8,502	10,169	10,984
<i>Business and Public Authorities</i>			
Undistributed profits of companies and public corporations*	983	1,396	1,204
Government, income from direct taxes less social security payments†	1,108	1,871	1,500
Less Stock appreciation and residual error	—377	—760	— 35
Gross national income.....	10,216	12,676	13,653

* Including additions to dividend reserves.
† Including additions to tax reserves.

The increase of under 3 per cent in real personal consumption in these four years was smaller than might have been expected in view of the fact that real wages and salaries (after payment of tax) seem to have risen by just over 10 per cent in this period; this estimate is derived by deflating the rise of some 35 per cent in the money value of employees' net incomes by the rise of 22 per cent in consumer prices. Indeed, in the two years from 1950 to 1952 real consumption actually fell by nearly 2½ per cent despite a continuing small increase in real personal incomes (of the order of 1 per cent). Virtually the whole of the fall in real expenditure in these two years occurred in clothing (down by 11½ per cent at constant market prices) and durable household goods (down by 14 per cent); consumers had, of course, stocked up heavily with these goods during the post-Korean spending spree. It should be recorded, however, that since the giddy days of 1946 real consumption of food has increased by 15 per cent, of clothing by 21 per cent, of household goods by between 35 and 45 per cent (with soap and detergents, exceptionally, up by 60 per cent) and of books and newspapers by 16 per cent; at the other end of the scale, real consumption of tobacco has fallen by 14 per cent, of alcohol by 5 per cent and real expenditure on entertainment by 6 per cent. Gladstone would have approved.

The explanation of the restraint in consumption in the last two years lies in a heartening—though belated—rise in personal savings. This is a trend that deserves

more attention than it has so far received. There is now no direct estimate of personal savings in the national income blue book; but the omnibus item labelled "personal balance: saving, provision for depreciation and stock appreciation" is put at £502 million for 1952 compared with £220 million in 1951 and only £80 million in 1948; this item therefore equalled 11d. in the £1, or over 4½ per cent, of personal disposable income in 1952, compared with less than 2½d. (under 1 per cent) in 1948. It should be noted that in America personal savings rose from 2 or 3 per cent of disposable incomes in the years immediately after the war to 8 or 9 per cent in 1951-53; the same trend may be in progress here, although, as usual, the British seem to be doing things by halves.

The £502 million of personal "balances" in 1952 combined with £1,324 million of new undistributed profits of companies and public corporations (including additions to tax reserves), with £413 million of surpluses in the current budgets of public authorities, and with £33 million of other oddments of savings (such as current transfers from abroad) to make a grand total of £2,272 million of investible funds last year. Only £50 million of this was needed to finance the increased cost of stock-carrying; and, since the physical volume of stocks ran down by £123 million in the year, the country had enough savings on hand to run a balance of payments surplus of £291 million (including defence aid) and to devote £2,054 million to gross capital formation.

TABLE II.—GROSS NATIONAL EXPENDITURE*
(£ million at current factor costs)

	1948	1951	1952
Consumer's expenditure.....	7,050	8,384	8,856
Gov't. current expenditure	1,732	2,395	2,841
Gross capital formation	1,486	2,357	1,832
Exports less imports.....	— 52	—460	+124
Gross national product.....	10,216	12,676	13,653

* At factor cost—i.e., after subtracting net indirect taxes.

In terms of 1948 market prices this £2,054 million of fixed investment was worth only £1,551 million—virtually the same as in 1950 and 1951, although a full 50 per cent above the £1,025 million of real fixed investment that was achieved in 1946. In terms of 1938 prices real fixed investment in 1952 was probably between £750 million and £800 million; this very rough estimate can be secured by combining an estimate of the rise in replacement costs of capital equipment between 1938 and 1945 (70 per cent) from Cmd 6707 of 1945 with the estimate of the rise in replacement costs between 1946 and 1952 (53 per cent) deducible from the new blue book. Actual expenditure on gross fixed investment in 1938 was £600 million, and the conclusion therefore seems to be that Britain is now devoting between one-quarter and

one-third more real resources to fixed investment than it did during the prewar slump.

It is still impossible to say, however, whether this level of fixed investment is sufficient to offset wear and tear on existing capital equipment in all sectors of the British economy. The only three groups that quite clearly are adding to their real capital are the public authorities, farmers and most of the nationalised industries. The central government and the local authorities accounted for £718 million (or about 35 per cent) of gross fixed investment in 1952; of this £350 million went on the local authorities' housing programme. Farmers undertook £81 million of gross fixed investment in 1952; this is the only group for which estimates of true depreciation (at current replacement costs) exist—true depreciation of farm equipment in 1952 was £54 million,

indicating a net investment of £27 million on British farms last year. The third group that is clearly still expanding its real capital is the nationalised sector of industry, with the electricity industry in the van. The public corporations undertook £410 million of gross fixed investment last year, or nearly two-thirds as much as total fixed investment by companies—despite the fact that the companies' share in gross national product appears to exceed that of the public corporations by some seven or eight to one.

The suspicion therefore remains that in many sectors of private industry capital equipment must be wearing out without replacement. This may not be true of corporate business; a very rough estimate, based on prewar depreciation allowances and prewar estimates of national wealth, suggests that companies may now be adding to their net real assets by between 0 and 1 per cent a year. But it seems fairly certain that net disinvestment is still proceeding apace in non-corporate businesses. Excluding new private housebuilding and agricultural investment, gross fixed capital formation in the non-corporate sector last year was only £111 million; and about a third of this seems to have represented purchases of vehicles—for the small business man has tumbled to the advantages of claiming depreciation allowances for his car.

The comparative atrophy of net investment in the greater part of the private sector of the economy has previously been explicable by the lack of available funds. In each of the four years 1948 through 1951 personal savings fell far short (by between £235 and

£370 million) of the sums needed to meet death duties and to finance real investment—chiefly on the farms and on new housing—in the personal sector; in 1952 persons saved some £50 million more than was needed to meet these obligations, although—when the volume of personal savings through life assurance and other institutional media is taken into account—it seems clear that persons were still net sellers of stock exchange securities and other financial assets. But the improvement in the liquid balances of companies last year was pronounced. The companies' surplus of new savings over domestic investment rose from £178 million in 1951 to £789 million in 1952. But with the replacement cost of machinery some three times its prewar level, with depreciation allowances still based on original cost, and with the increase in their net profits over the

TABLE III.—PRODUCTION AND INVESTMENT BY INDUSTRIES
(£ million and percentages)

	1952					1948-52		
	Em- ployees' income	Profits and trading income	Gross product	% of gross domestic product	% of fixed investment programme	% increase in real production	% increase in employees' income	% increase in profits
Agriculture, forestry and fishing..	283	480	763	5.6	4.2	14	14	26
Mining and quarrying	457	41	498	3.7	2.5	9	33	5
Manufacturing industries.....	3,179	1,680	4,859	35.9	27.5	16	33	28
Building and contracting	740	145	885	6.6	2.0	4	38	18
Gas, electricity and water	179	121	300	2.2	12.1	27	48	36
Transport and communications ..	731	449	1,180	8.7	12.2	13	28	72
Distribution	919	753	1,672	12.4	7.2	4	42	Nil
Insurance, banking, finance, and real estate*.....	257	462	719	5.3	—	6	37	n.a.
Public administration, and armed forces.....	902	...	902	6.6	32.3	8	32	n.a.
Professional and miscellaneous services.....	1,295	487	1,782	13.1	—	n.a.	n.a.	n.a.
TOTAL	8,942	4,583†	13,525†	100.0	100.0	70	35	35

* Including rent from ownership of dwellings as a profit. † After adding £15 million for residual error, but deducting £50 million for stock appreciation.

last five years a very small proportion (it seems to have been under 3 per cent) of their total investment outlay in that period, the companies did not push ahead with development and modernisation to the extent that their financial resources would have allowed.

This problem of the disincentive to investment—and, indeed, the whole mosaic of the economy presented by the new blue book—is illustrated by Table III on this page. The first three columns of the table are self-explanatory; they show the components, by industry and type of income, of Britain's gross domestic product, of £13,525 million last year (this fell short of gross national product by the £128 million of net income from abroad). The fourth column of the table shows the share of gross national income that can be attributed to each of the ten main occupational groups; one incidental point to note here is that the share of agriculture, forestry and fishing, at 5.6 per cent, is the lowest for any country in the world. The fifth column shows the share of the main groups in the national investment programme, and suggests that only the two

mainly nationalised groups—"gas, electricity and water" and "transport and communications"—had a larger share in the investment programme last year than they did in the gross national product. The figure for investment in transport, however, is rather an odd jumble. It includes shipping, while, in inland transport, although the roads are getting fuller and fuller they are not getting better and better—and there is probably some net disinvestment in railway rolling stock. The shortfall in the other main industrial groups is explained by the very large share of investment absorbed by housing and the social services; the share of 32.3 per cent shown for the last three groups in the table is almost wholly accounted for by investment of this kind.

The sixth column of Table III shows an estimate of the percentage growth in real production since 1948 in each of the main occupational groups; this is a new feature of the blue book, and one that has been compiled in association with the Department of Applied Economics at Cambridge. The total growth in real

domestic product between 1948 and 1952 is estimated at 9.8 per cent (in terms of constant factor costs), and the table suggests that this average increase was exceeded only by "gas, electricity and water," "transport and communications," farming and manufacturing industry; it is noteworthy that the first three of these groups had a favoured share in the real investment programme. Finally, the last two columns of the table suggest that gross profits increased by exactly the same proportion (35 per cent) as employees' incomes in these four years. But there is an important correction to be made here. As consumer prices rose by 22 per cent in these four years, the rise in real incomes of employees was of the order of 10 per cent; while as the cost of making additions to stock rose by around 35 per cent and that of buying new capital equipment rose by 32 per cent, the rise in real profits was negligible. The pinch on profits, and the disincentive to risk-taking, continues. So long as it does so, the country's forward progress can only be a forward limp.

Limited Freedom for Grains

THE decontrol of the grain trade, under arrangements begun several months ago and completed this week, is by far the most significant stride towards the restoration of freedom for trading in commodities that Britain has yet taken. It does not, however, attain the ultimate goal of price flexibility and effective competition in the grain trade as a whole, nor will it put an end to governmental dealings in grain. The range of government intervention has been cut down, imports of grain have been freed, and control of domestic use of grain has been abandoned. But these important steps, and some others besides, could not achieve complete freedom in the grain markets so long as the Government remains obliged to operate the complicated system of guaranteed prices for domestic producers—the system embodied in the Agriculture Act of 1947.

Further progress towards freedom in the markets is not, indeed, ruled out by the principle of subsidising home production. But the technical difficulties of reconciling trading freedom with producers' subsidies could not be quickly overcome—and in fact can hardly be fully overcome without amendment of the Act, which will be a tricky process, politically. At this stage, therefore, the arrangements embrace a series of compromises, some of them very complicated ones, that make it hard for the lay observer either to discern what the new range of freedom really is or to appraise the problem of extending it. The uncertainties are not, indeed, confined to the outside observer: the season 1953-54 will be a trying one both for the trade and for the Ministry of Food, and even the best-informed will not yet commit themselves to guesses about how the new system will work.

For the past fourteen years, the grain trade has been a monopoly of the Ministry of Food. Under this system, the Ministry, acting through intermediaries, has been the sole buyer and seller of all grains, whether domestic or foreign. The millers, the compounders of feedingstuffs, the poultry farmers, the makers of biscuits and breakfast foods, the distillers and the rest, received only such quantities and grades as the Ministry could supply, at prices fixed by the Ministry. The millers, indeed, acted simply as the Ministry's agents, and worked on a predetermined rate of profit. Given this absolute control, the Ministry had no difficulty in fulfilling the requirements of the Agriculture Act to afford a guaranteed market and a minimum price for home-produced grains.

The new system of decontrol has shorn the government of some of its powers, but not of its obligation to fulfil these guarantees. The Ministry no longer buys foreign grains and the private trade has been left free to import grain for home consumption, and to do so on "open general licence"—which means, for the present, without any specific licensing at all. It can do so, moreover, in the cheapest market, irrespective of what currency is involved (the only restrictions apply to the re-export of dollar grains). And the prices in overseas markets are now generally below the minimum prices for home grains, and are likely to remain so. Domestic grains are once again exposed to full—or nearly full—competition from overseas supplies.

The arrangements that have been made necessarily meet the requirements of the Act, but they do so only at the cost of limiting the freedom of the market. The range of effective competition from overseas supplies

has in fact been narrowed down by several "voluntary" undertakings: to assist it in the disposal of home grain, the Ministry has enlisted the co-operation of certain sections of the trade, who have been persuaded that their new-found freedom would be jeopardised if they were to import too largely a commodity that is Britain's most costly import and is paid for mainly in dollars. In particular, the millers, who constitute the largest consuming industry, have agreed "in the national interest" to use nearly as much British wheat as in recent years, although this "soft" wheat is less suitable for bread-making than the hard imported varieties.

The arrangements for supply of domestic wheat to the millers—now again working on their own account, instead of as agents—will, indeed, not differ in essence from the former arrangements. Their "purchases" from farmers will be made at the guaranteed price, which the Ministry will immediately reimburse to them, and they will then store this home wheat on the Ministry's behalf, as before. They will not themselves take possession of the wheat until they need to use it, and will then pay a price based on the world market and determined weekly by a representative panel of the Ministry and the trade. (In practice, the price paid to the Ministry will be abated by storage charges incurred on its behalf.)

Under this system, it will be seen, there will be no effective price competition between domestic farmers, nor between the domestic farmer and the overseas farmer. Though overseas wheat will compete with home wheat, it will be the Ministry that suffers the competition, that carries and finances the stocks of home wheat, and that bears the risk of fluctuations in world prices. The weight of the resultant burden cannot yet be appraised. This year's wheat harvest is estimated at about 2.4 million tons, but it is impossible to forecast how much of it will be sold, because this is the first season since 1939 in which there have been no restrictions on usage. All that is known is that the millers will use their "best endeavours" to take up 1½ million tons, and that any quantities not used on the farm, and by the poultry farmers and other consumers, will be left with the Ministry.

★

In coarse grains, though there is similar freedom for private imports, the range of government activity will be still larger. The Ministry, through the intermediary of the merchants, will continue to buy from the farms, at the guaranteed price. It will sell through the domestic markets in London and elsewhere—at prices based on the world market and settled weekly by a representative panel, just as the wheat prices are settled.

In barley, the Ministry's problem of competition from overseas supplies has been eased by the habits of two of the largest commercial users, the brewers and maltsters, and the distillers. The brewers and maltsters have a traditionally close association with the growers

of high-grade malting barley, and consider it in their own interests to maintain the supply. For several years they have agreed with the farmers on a maximum and minimum price range, above the guaranteed price, to encourage the production of the qualities and types of barley they require. For these reasons, the brewers and maltsters do not propose to buy any foreign barley this year; they will continue to rely wholly on the higher-priced British product. The whisky distillers, who have not been allowed to use any foreign barley for the past fourteen years, do not expect to import more than 25 per cent of their total requirements this season. Their reasons are broadly similar to those of the brewers, but in some respects more subtle. The surplus of barley, and of the other coarse grains, oats and rye, will be held in the Ministry's own storage facilities.

Unless world grain prices in general stage a quite miraculous recovery, the losses incurred by the Ministry in buying at the guaranteed prices and selling at competitive prices are likely to be considerable. Before the next season begins it is hoped that a new system of marketing can be adopted in order to introduce some much-needed flexibility into the system of domestic subsidies and to promote more efficient production, while still continuing the guarantees to the farmers. For grains—and, indeed, for other agricultural produce, too—the most promising line of advance, even though a line of compromise, seems to be to revive the prewar system of deficiency payments. This would establish a "standard" price, corresponding to the existing guaranteed price, but would leave the farmers to sell in the open market, subject to later assistance from the Ministry. At the end of the season, or at intervals during the season, they would be paid the amount by which the national average selling price fell short of the standard price. The net difference in cost to the taxpayer might be small, though that would depend mainly on the absolute level of the standard price in relation to farming costs. In any case, a reform on these lines would permit the operation of a free domestic market—including competition between individual farmers—and would relieve the Government of active participation in the grain trade.

The process of preparing for the first big step towards freedom in grain has, of course, involved the Ministry not only in these arrangements for home grains, but also in negotiations for the transfer of its stocks of imported wheat. These will be sold at prices based on the world market at the time of sale, and these prices will likewise be settled by a representative panel of the Ministry and the trade. This month the Ministry is selling to the millers sufficient quantities to bring their total stocks of imported wheat to a level equivalent to not less than six and a half weeks' average supply of imported wheat, as at August 29th, the date of decontrol. In October and each succeeding month, the Ministry will sell not more than half a month's average usage of imported wheat, amounting to some 150,000 tons a month. The Ministry's total stock of imported wheat has never been divulged, but it is certainly very

large, and the monthly transfers are expected to continue beyond the end of the year. There will be no similar transfer of government stocks of imported coarse grains; the Ministry will simply be in the market as a seller, at prices that it will fix itself after consultations with a trade panel.

The millers will have to carry their stocks of imported wheat, and any new purchases they make, entirely at their own risk, for there are as yet no facilities to hedge against fluctuations in wheat prices. The size of their stocks, after allowing for the planned transfers to them from the Ministry, could permit them to postpone new purchases for about two months; given the present uncertainty about wheat prices, they are likely to be extremely cautious buyers thereafter. It might be argued that they could make good any loss on stocks of wheat by keeping up their selling prices for flour, but the pressure of competition may prevent this. If any large miller were to cut the price of flour in line with a declining replacement price for wheat, the others would certainly follow suit.

The delay in reopening the hedging markets in Liverpool and London has evidently resulted indirectly

from the Ministry's determination to ensure adequate supplies during the transitional period—with the consequence that available supplies are now larger than the hedging markets would care to face at their reopening. The pipeline is, in fact, bursting. Silos are choked, and grain ships are lying off Liverpool and other ports awaiting discharge. The Liverpool and London exchange authorities have accordingly decided not to start trading in futures until stocks have run down to more reasonable proportions. The Liverpool exchange, which was the principal futures market in Britain before the war, may be able to reopen by November, for deliveries in the New Year. The London exchange will reopen first in coarse grains, because official stocks of these are smaller than those of wheat and will be liquidated sooner. Futures contracts in coarse grains will probably be introduced in London before the end of the year, and trading in wheat futures may start by early spring. Despite its limitations, the whole experiment deserves a warm welcome—but will be anxiously watched for hopeful signs that still further progress towards normal marketing may be possible during the course of 1954.

Business Notes

No Fireworks at the Fund?

THE annual meeting of Governors of the International Monetary Fund, which is due to open in Washington next Wednesday, promised at one time to match in eventfulness the never-to-be-forgotten gathering of 1949, at the close of which—after many discussions in Washington hotel rooms—sterling and the majority of other members' currencies were devalued. At the beginning of this year, following the Commonwealth Economic Conference, there was some reason to believe that the Fund's agenda for its meeting of September, 1953, might bristle with such lively subjects as the tolerance of permissible exchange fluctuations under the Articles of Agreement of the Fund and the provision of additional stand-by credits to countries travelling the road to convertibility. Some people even assumed that such discussions might lead to specific policy decisions.

All such anticipations have, for reasons that are all too familiar, now been fundamentally revised. They were momentarily stirred earlier this week as a result of reports from Washington that United States official quarters might be considering a \$2,000 or \$3,000 million stabilisation fund

to underpin sterling convertibility; this fund, it was suggested, might be added to a stand-by credit of about the same magnitude that could be mobilised by aggregation of the combined quotas of sterling area countries at the IMF. Although these reports were given wide currency, it can be said that they were devoid of any real foundation. No doubt the possibility of such stabilisation credits, and the various techniques of making funds available by direct United States credits or through the mechanism of the IMF, are subjects of academic and exploratory discussion in Washington as they are in other capitals of the world. But pending the report of the President's Commission on Foreign Economic Policy, which is not due until next March, no such discussion or debate can emerge from the realm of purely abstract consideration. The British delegation that will attend this week's meeting—it will be led by Mr Reginald Maudling, the Economic Secretary to the Treasury, and will include Sir Leslie Rowan of the Treasury, Sir George Bolton of the Bank of England and Sir Edmund Hall-Patch, the permanent British executive director on the IMF—must expect to find that sterling convertibility and its related problems will be the main topic of conversation in the *coulisses* of the assembly room. But they will have no specific decisions to announce.

The Fund's Sterling Holding

ALTHOUGH there seems very little prospect that the IMF will find itself in the full limelight of the international financial stage—in 1953 at least—it is doing some useful work in the wings. Its recent revival has been largely due to the fact that sterling has followed the dollar in becoming a scarce currency in many parts of the world. At the end of June the Fund held sterling to the equivalent of \$1,332.8 million, or only \$32.8 million in excess of the United Kingdom quota. Since then this holding will have been further reduced by a purchase of \$5,600,000 worth of sterling by Turkey; while another purchase of £5 million by Japan and a probable purchase of £10 million by Brazil (in compliance with the reported Anglo-Brazilian agreement for the repayment of commercial arrears due to British exporters) are probably still to come.

Six years ago the United Kingdom purchased \$300 million of US dollars from the Fund; this was about \$70 million more than the initial part of the British quota paid in gold—in other words, Britain bought back with sterling the gold it had initially transferred to the IMF and bought 70 million of additional dollars with a new sterling payment in excess of its quota. No repurchase of the sterling paid over at that time has yet been made by Britain, but the sterling concerned has been in gradual process of repurchase by other members. The charges made by the Fund—and the amount that it is willing to lend—are determined by all operations in a particular currency and not merely by operations by the member concerned; the recent purchases by sterling-hungry members have therefore resulted in a small reduction in Britain's debt charges and a small increase in its borrowing potentialities for the future.

Dwindling Dollar Surplus

THE sterling area's gold and dollar reserves increased by only \$13 million in August, by far the smallest increase this year. But this slackening of the gold inflow was not as alarming as bare comparison with the increase of \$89 million achieved in July might at first sight suggest. As the accompanying table shows, the residual dollar accounts—which, for the most part, mirror direct sterling area payments with North America—were exactly in balance last month, compared with a surplus of \$51 million in July. In August, however, \$39 million had to be paid out to Canada in consequence of the new agreement governing repayment of its interest-free loan of 1942; when allowance is made for this, current payments with North America in August seem to have been at least as healthy as in the majority of months this year. Moreover, American aid receipts in August—at only \$19 million—were below their estimated average for the rest of the American fiscal year to June 30th next.

The least satisfactory trend of sterling payments at the moment is with the European Payments Union. Last month's payment of \$6 million of gold to EPU had already been announced. It is now revealed, however, that the sterling area ran another and larger deficit, of £10.6 million,

with Western Europe in August; one-half of this (or some \$15 million) will fall due to be settled by a gold transfer to EPU in the middle of September. It is true that all the seasonal factors—large tourist expenditure, no major commodity sales and the rest—were working against the

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

* 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.

sterling area's balance with Europe last month. But this re-emergence into deficit with EPU does not provide a very favourable background to Europe's (perhaps still justifiable) hopes that Britain will announce further measures of import liberalisation before the next ministerial meeting of OEEC in the last week of October.

The Production Record

BRITISH industrial production in the first half of this year, as measured by the official index, was about 3½ per cent higher than in the same period last year, and slightly higher than in 1951. In June and July, months

Aircraft in Peace and War

No other sector of British industry is so exposed to changes in strategic conceptions and in commercial requirements as the

BRITISH AIRCRAFT INDUSTRY

Next week's issue of *The Economist* will include a series of special articles, measuring the industry's achievement and its response to the challenge of change.

of the slack season, the "all-industries" index was indeed probably 8 per cent up on 1952, though no more than level with 1951. It will not be until late October, when the forecast of the index for September "on the basis of information so far received" is published, that any useful indication will be forthcoming from this statistical series to show whether output this year will continue upward beyond the 1951 level; but it seems clear that the trend is well above the 1952 curve.

Manufacturing output fell more than total output between 1951 and 1952, and despite a marked recovery it has not yet really moved above 1951. It is too early to see yet whether the revival reported from some engineering trades will become general or be sustained; the output of steel is breaking records, and car output is very high, but many other sections of engineering are still

OFFICIAL INDEX OF INDUSTRIAL PRODUCTION,
FROM 1951 ONWARDS

	All Industries			Manufacturing		
	1951	1952	1953	1951	1952	1953
January	116	118	118	119	120	119
February	122	120	122	125	123	123
March	116	123	124	118	126	126
April	122	110	118	126	112	119
May	116	117	123	121	120	126
June	122	112	119*	127	113	121*
July	111	102	112-113†	114	103	...
August	104	98	...	107	97	...
September ..	121	116	...	124	116	...
October	121	120	...	125	121	...
November ..	123	123	...	126	124	...
December ..	113	112	...	115	113	...
Yearly average	117	114	...	121	116	...

* Provisional. † On the basis of information so far received.

in the doldrums. Textile activity is not yet back to the levels of early 1951 before its recession began; in Lancashire, the steady growth of production seems to be limited in some cases by the lack of workers who have left the industry, and recruiting is even more difficult than in the postwar drive to get labour back into cotton. The statistical evidence from the index about particular industrial groups is generally far less up to date than the broad index. But the difficulties of accelerating this measurement are emphasised by the constant process of revision that the "all industries" and "manufacturing" indices require; the figures for April were twice amended upwards earlier this year and last week were amended a point downwards.

Credit Expansion Slackens

THE curve of credit expansion, which was moving quite sharply upwards during the greater part of the twelve months to end-June last, seems now to be flattening out. In the five weeks to August 19th, net deposits of the clearing banks rose by £27½ million, to £6,041 million, or by only

a little more than their rise in the corresponding weeks last year. In the short period covered by the previous make-up—roughly the first fortnight of July—net deposits actually fell by £10 million, whereas last year they rose by £27 million. The difference between these two comparisons does not necessarily mean that the trend is deteriorating again: because of uncertainties about the precise date at which the banks felt the contractionary effect of the use of Electricity loan moneys to repay bank advances (the last call on this year's loan coincided with the July make-up date), the best guide to the trend is to consider the two months together. On this basis, it will be seen that credit expansion since end-June has this year been little more than one-third of that experienced last year. This improvement almost counterbalances the deterioration shown in the closing weeks of the first half-year—though aggregate deposits are still £174 million net, and £192 million gross, above their level at this time last year.

The recent credit expansion has been wholly due to the financing needs of the central government, but its borrowings from the banking system have been much below the exceptional rate attained in the summer of 1952, though less markedly so in the latest five weeks than they were in the first half of July. On the other hand, the private sector of the economy has been repaying bank credit, but not so

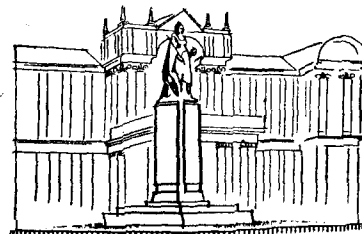
LONDON CLEARING BANKS

	August 19, 1953		Change on	
			Month	Year
Deposits	£ mn		£ mn	£ mn.
"Net" deposits*	6,240.1		+ 6.8	+191.6
	6,041.2		+ 27.5	+173.7
Liquid assets	£ mn.	%†		
Cash	2,297.5	(36.8)	+ 82.4	+ 32.6
Call money	510.7	(8.2)	+ 0.2	+ 1.2
Treasury bills	456.1	(7.3)	+ 4.2	+ 60.1
Other bills	1,275.5	(20.4)	+ 91.6	+100.7
	55.2	(0.9)	- 5.3	- 9.2
Investments plus ad- vances	3,816.1	(61.2)	- 54.0	+143.4
Investments	2,139.7	(34.3)	- 0.5	+221.5
Advances	1,676.4	(26.9)	- 53.5	- 78.1

* After deducting items in course of collection.

† Ratio of assets to published deposits.

rapidly as it did last year, when the delayed effects of the fall in commodity prices were reinforcing the first sharp effects of the credit squeeze. Total bank advances dropped last month by £53½ million, bringing their fall up to £86½ million since end-June, compared with £106 million in the similar period last. If it is assumed that the proceeds of the calls on the BEA loans and the application moneys on the recent Gas loan were fully applied, both this year and last, in repayment of advances, this would mean that over the seven weeks advances to other borrowers contracted by £47 million this year and £62 million last. Over the same period, the banks' holdings of commercial bills dropped by a further £5 million this year (compared with last year's fall of £19 million), to the new low point of £55 million. Total bank advances now stand at £1,676 million, their lowest since the beginning of 1951 and £276 million below

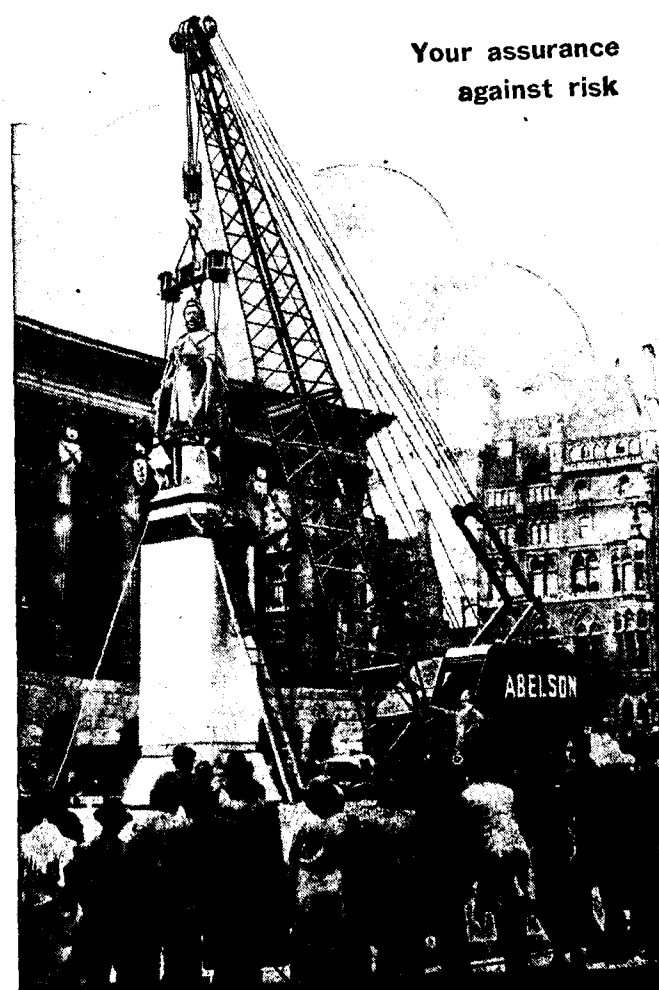


One of the many assignments entrusted to us—placing back into position the Queen Victoria Monument in Victoria Square, Birmingham, after renovations had been completed.

ABELSON

SPECIALISTS IN THE SUPPLY
OF PLANT, POWER PLANT AND
MISCELLANEOUS MACHINERY

Your assurance
against risk



ABELSON & CO. (ENGINEERS) LTD.

SHELDON BIRMINGHAM 26

TELEPHONE: SHELDON 2424 (10 lines) TELEGRAMS: ABELSON BIRMINGHAM

LONDON OFFICE
70, VICTORIA STREET,
LONDON S.W.1
TEL: FIVE GALLERY 2418
GRAMS (LONDON) ARELPOWER
SOUTHWEST LONDON

MANCHESTER OFFICE
100, OXFORD ROAD,
MANCHESTER 13.
TEL: ARROW 1225 (3 lines)

Everywhere...

from WEST END

4 miles from Otley in the West Riding of Yorkshire



to EAST END

In the Rural District of Shepton Mallet, Somerset

you can be sure of

SHELL



One...or a Fleet...
it's **Measham**
every time

The big concerns buy and sell at Measham: Government Departments, Local and Police Authorities, firms with vast fleets of private cars and commercial vehicles. Big organisations have to think big; and they have found over the years that Measham's immediate market offers the most buyers, the widest selection of vehicles, and the best and fairest terms. One or a fleet—it's Measham every time!

MEASHAM MOTOR SALES ORGANISATION LTD.
Measham, Burton-on-Trent

Your transport manager should have this important factual booklet.

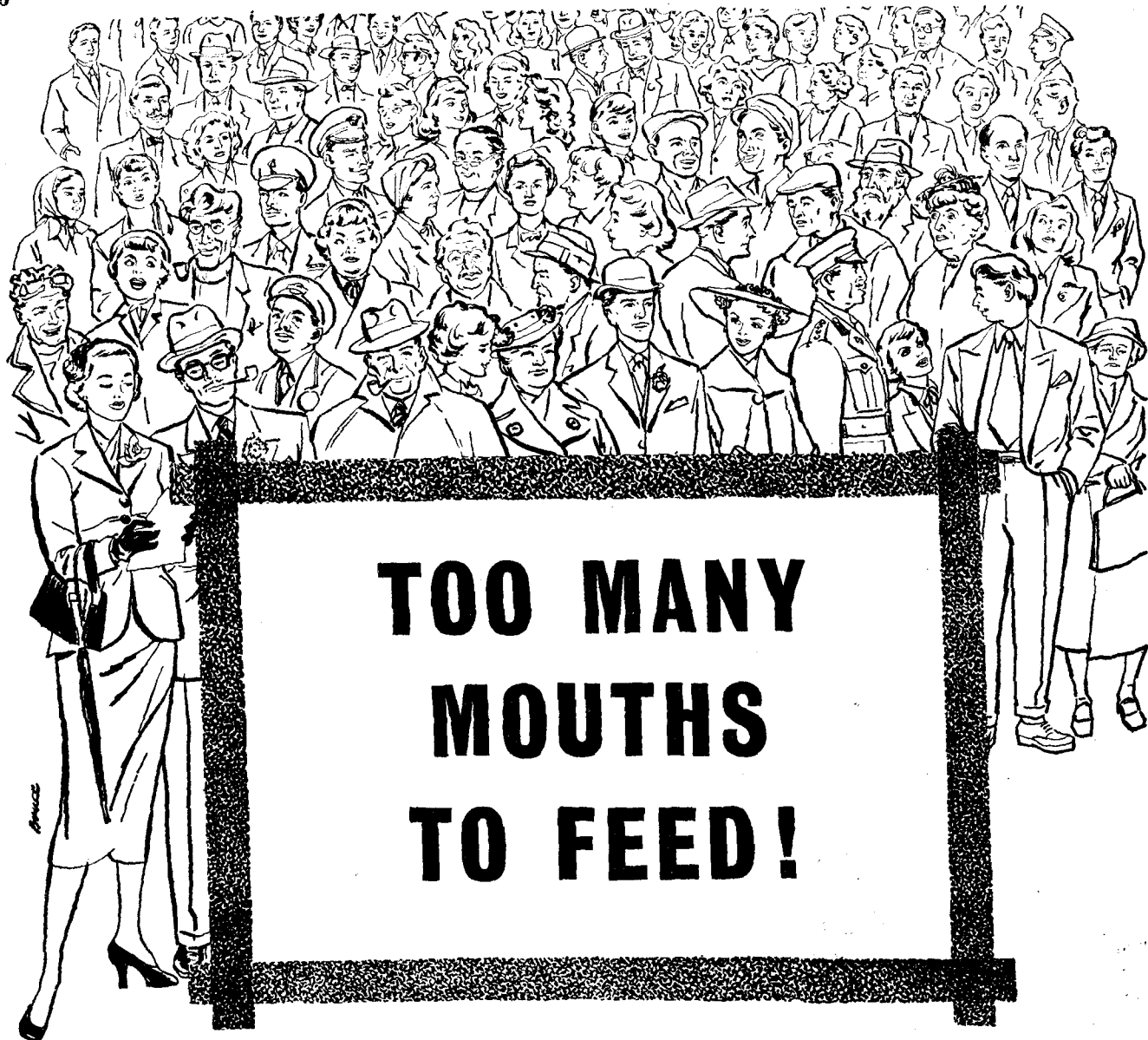
Please send "Fleet User Terms" Booklet to

Name

Firm

Branch Offices: London
—368-370, Kensington
High Street, W.14 (near
Olympia). Phone: West-
ern 9821. Manchester—
30-34, Victoria Street, 3.
Phone: Blackfriars 5145-
6. Stafford—Walton.

DAV. 1



In this small island, we have fifty million people to feed. How to do so is the one fundamental economic difficulty of today. The same problem looms large in other lands, too, but here it overrides every political programme, because unless we can solve it, nothing can prevent an inevitable decline in our standards of life.

What are we to do?

In our own country, we must use every available technique and priority to increase food production. Even in this land of industrial power, that power should be geared to the production of food.

But the great Commonwealth with which we are associated could be the biggest development area of this century. It is 80 times the size of the U.K. Its resources are greater than any other single area in the world. It can grow whatever is grown and is potentially the richest group of nations in the world. If capital was diverted to the Commonwealth to carry out its development, we should see more than the commensurate return.

To see the Commonwealth prosperous and expanding, and our own economy more surely based, is worthy of every effort in our power.

GROW MORE FOOD IN BRITAIN AND THE COMMONWEALTH

Issued in the public interest by Harry Ferguson Ltd., Coventry.

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

the peak reached in the spring of last year. On the other hand, in consequence of the governmental borrowings, total liquid assets are only £30 million below the level reached on the eve of last year's special funding operation, and the liquidity ratio, increased by 1.3 to 36.8 per cent during the five weeks, is only 0.6 per cent lower than it was twelve months ago.

Grumbling at Gatt

THE contracting parties to the General Agreement on Tariffs and Trade will have an uncomfortably full agenda before them at their next meeting, which opens in Geneva on September 17th. Two of the long-standing items on that agenda are the accession of Japan and the extension of negotiated tariff schedules beyond the end of this year. To these there are now to be added a controversial (though not very important) new resolution introduced by Britain and a sweeping demand by Australia for a comprehensive review of the whole agreement.

Britain is to ask for an amendment—or rather a favourable legalistic interpretation—of Gatt that would allow it to continue the duty-free entry of certain Commonwealth goods, even if it stops allowing duty-free entry to those same goods when they are imported from non-Commonwealth countries. This British initiative, which was foreshadowed in the communique issued after the Commonwealth Economic Conference last December, is strictly limited in scope. Britain probably wants to replace by tariffs the far severer type of protection that it now gives to certain kinds of agricultural products by means of quantitative restrictions—but without, at the same time, setting in motion the legislation that would be necessary to make comparable increases in tariffs on goods coming from Commonwealth countries. There is no intention of challenging the Gatt rule of “no new preferences”; those who have recently been suggesting that the British delegation to Geneva will be seeking, either at once or little by little, a release from this rule are talking through their Empire crusader's helmet.

The Australian initiative, however, seems to be cast in much more general terms. Mr Menzies stated at the end of last week that the Australian government had been far from satisfied with the operation of Gatt, and that his delegation at the Geneva conference would press for a comprehensive review of the agreement. This frontal attack seems to have been prompted principally by domestic political considerations. It certainly does not betoken a widespread Australian desire for freer trade within the Empire; that much is indicated by the announcement by the Australian Tariff Board that several Australian companies that are offshoots of parent companies in the United Kingdom have applied for tariff protection for their products against imports from Britain. One of them is Courtaulds (Australia), which is asking for a tariff on the two types of rayon yarn (viscose rayon tyre cord and acetate yarn) that it is just beginning to produce—apparently at very high cost. Rayon tariffs are not among the tariffs that Australia has “bound” under Gatt, but there are other uneconomic secondary industries in that country that are “bound” in this way. This point—and the fact that tariff concessions

by the United States are, in present circumstances, more valuable than those given by any other country—should be borne in mind by any eager British exponents of a “get-out-of-Gatt” campaign.

Engineering Loses Workers

EMPLOYMENT figures for individual industries are published long in advance of the “component indices” of industrial output, and the latest give some interesting indications of the pattern of industrial recovery in the first half of 1953. They emphasise the extent to which this has been concentrated in the consumer goods industries. The Labour force in the capital goods industries, with a few exceptions largely attributable to defence contracts, has been shrinking steadily since the year began. The largest increases in civil employment as a whole during the six months, accounting for two-thirds of the growth of 171,000 people, were in building—which had 56,000 more workers at the end of June than at the end of December, 1952—and in the “professional, financial and miscellaneous services” group (including catering and hotels) which took on 52,000 more workers. Both of these increases were seasonal. But the net decline of 32,000 in the metals, engineering and vehicles group was neither seasonal nor welcome.

Within this group, very few industries were increasing their labour force. Employment in aircraft and accessories rose by about 12,000 and employment in making scientific instruments rose by 7,000 in the six months. These were presumably directly due to defence work; the rise of about 5,000 in the radio industry no doubt partook both of defence and of the pre-Coronation television boom; and the growth of 2,000 (some 4 per cent) in the hollow ware industry directly reflected consumer demand. The railway wagon makers recruited an extra 2,000 men, presumably to fill the large railway orders placed last year. The motor industry, which had 2,300 fewer employees at the end of the six months, had combined this with a recovery in output, and some other industries had similar successes; the steel industry, for example, broke its records without taking on many extra men. But for the most part, the dismissal of workers indicated slackening output; and dismissals were widespread. Employment went down sharply in the iron foundries, in tinplate, and in the non-ferrous metal trades; machine tool employment dwindled slightly, while the stationary engine and textile machinery makers continued to lay men off, and a similar lack of orders affected parts of electrical engineering. The policy of reliance upon an increase in engineering exports was thus encountering a very sharp test in its initial stages.

Record Bill Issue

THE Government's borrowings on Treasury bills have been mounting steadily in recent weeks. Since the second half of July the weekly offerings of bills at the

tender have been stepped up from £240 million to the £300 million offered yesterday. This latest offer is the largest ever made, though it has to be remembered that in the war and early postwar years—when the total floating debt mounted to levels much above the present level of just under £5,000 million—the amount of the tender offerings was kept down by the existence of a large volume of Treasury deposit receipts, now discontinued. The pace of new issues of tender bills recently has much exceeded that of maturities, with the result that the total of outstanding tender bills is now at a new peak of £3,370 million, and will rise by another £30 million next week if yesterday's offering was fully allotted. At the time of the special funding operation that accompanied the launching of the new monetary policy in 1951, the issue was £100 million below its present level; on the eve of last year's funding issue the total was £3,120 million.

City circles are therefore now discussing the possibility of a similar operation this autumn—of an offer of short bonds, ostensibly for cash but effectively in exchange for bank holdings of bills, combined with a conversion offer for the maturing Serial Funding bonds (and perhaps also for the unconverted portion of the 1952-54 War Bonds). Such an operation does, indeed, seem probable—even though, from the standpoint of monetary policy, a funding of Treasury bills looks less urgent than it did at this time last year. It should be noted, too, that although the tender issue is reaching new high levels, its rate of increase both in recent weeks and in the whole of the current fiscal year to date has been appreciably less than it was last year. Then, of course, the Government was borrowing abnormally heavily—partly in consequence of the big shortfall on the domestic budget, and partly because of the massive swing of the external balance of payments from huge deficit into surplus.

Radio in the Dark

THE Radio Show opened in London this week in an aura of gloom that was not, for once, due to any lack of orders. On Monday evening, the electricians came out on strike for the second time, leaving the majority of stands structurally complete but for the great part unlighted and unwired. When the show opened the next day for the preview for invited guests, there was still a certain amount of disorder, and although the men went back to work on Wednesday the general lighting of the stands, and the wiring up of television receivers was not finished until the show had been opened some days. But the industry is in the dark in more senses than this. The BBC's television network over the main centres of population is completed, so receiver sales will not continue to get the automatic boost that they have enjoyed in the past few years from the opening up of new stations in densely populated areas. At the same time, there has been a surprising and inexplicable revival of interest in sound radio receivers.

In 1951, out of a total production of 2 million radio receivers, 1.4 million were sold at home. Last year production and home sales both fell 41 per cent, and total home receiver sales amounted to less than 800,000. In the first half of this year, the fall in sales appears to have been

gradually checked; estimates put the number of radio receivers sold at 345,000, which is 7 per cent below the average half-yearly sales in 1952. Most manufacturers believe now that the decline has not only been halted, but sales of sound radio are moving upwards. Home television sales are apparently booming. During the past two years they moved rather slowly; total sales in 1952 reached 784,000, which was only 13 per cent higher than in the previous year. But in the first half of this year, they are believed to have reached 517,000, an increase of 59 per cent on six months' sales in 1952. The Coronation was directly responsible for this jump and sales may not necessarily be maintained at so high a level. It is significant that the renewed demand for sound radio receivers dates in most cases from after the Coronation.

This new-found popularity of radio receivers is probably based on their price. The reduction in purchase tax from 66½ to 50 per cent, and a fall in manufacturers' prices, has combined to bring the majority of radio receivers to within a range of £12 to £25 including tax, while television receiver prices range from an average of £46 for a 9 inch screen to nearly £100 a set for screens of 15 inches and upwards. With the old, immovable cabinet radio rapidly becoming a thing of the past, the emphasis that has been laid on the "transportability" of new radio receivers is in marked contrast with the inevitable cumbersomeness of a television set. Another suggestion is that the better tone of sound reception from a new television receiver has made owners dissatisfied with the quality of sound from their aged radio receivers. But none of these explanations wholly accounts for the recovery in radio, and the future balance between radio and television sales is back in the melting pot.

Radio's Foreign Market

SALES abroad make up an important part of the radio industry's total market, and in spite of import restrictions and stiff overseas competition, exporters appear to be holding the ground that they won during the past two years. The industry's total exports have risen in value from £7.7 million in 1946 to a peak of £25 million last year, out of a total production of £125 million. Sales of receivers account for only a small proportion of the export total; they fell slightly last year from £4.8 million to £4.6 million and reached £2 million in the first six months this year. Import restrictions make the export of complete receivers hazardous and unpredictable; at the moment good business is being done in the South American markets and quota restrictions in otherwise promising markets like South Africa are being met by exporting the chassis only, leaving the importer to fit it into a locally-built cabinet. Very little export business is being done in television receivers, because the varying systems used in foreign markets require special adaptations to receiver designs that make it difficult for British manufacturers to compete with local producers' prices.

British manufacturers are, however, exporting television transmitters and studio equipment. A large part of this business is done by Marconi's Wireless Telegraph Company, and a recent order from Switzerland for an outside broadcast unit brings the company's television equipment exports since the war to "well over" £900,000. Some

a jump ahead

There is great satisfaction and
often profit in always being a jump
ahead of your competitors . . .
but how about insulation?

The high efficiency of
Darlington 85% Magnesia coverings
will enable you to keep
a jump ahead in fuel saving
— our technical division
would like to show

you how to save
up to 90% of
waste heat.



DARLINGTON
85% MAGNESIA
Insulation

Manufacturers:
THE CHEMICAL & INSULATING CO. LTD.
DARLINGTON

Insulation Contractors:
THE DARLINGTON INSULATION CO. LTD.
NEWCASTLE UPON TYNE

Sheet Metal Fabricators:
S. T. TAYLOR & SONS LIMITED
TEAM VALLEY, GATESHEAD-ON-TYNE

ENGINEERING MARINE AND WELDING EXHIBITION
Stand No. 1, Outer Row Gallery, Grand Hall, Olympia.
September 3rd to 17th.

S & B

Abridged Particulars.

THE PYRENE COMPANY LIMITED

(Incorporated under the Companies Acts 1908 and 1913.)

OFFER FOR SALE

BY

SINGER & FRIEDLANDER LIMITED

OF

288,000 5½ PER CENT. CUMULATIVE PREFERENCE SHARES of £1 EACH at 20s. 6d. per share

and

1,290,000 ORDINARY SHARES OF 5s. each at 15s. per share

Payable in Full on Application.

The Lists will open at 10 a.m. on 10th September, 1953, and close on the same day.

SHARE CAPITAL		Issued and fully paid
Authorised	£600,000 in 600,000 5½ per cent. Cumulative Preference Shares of £1 each	£460,000
	£700,000 in 2,800,000 Ordinary Shares of 5s. each	£575,000
		£1,035,000

Application will be made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the whole of the issued Share Capital of the Company.

The Offer for Sale will show (inter alia):
1. The Company was made public in 1926 and manufactures and sells fire-fighting equipment, motor-car bumpers, and supplies chemicals for fire-fighting equipment. Among equipments of various types is the well-known 'PYRENE' fire extinguisher.
2. The Directors estimate that net profits for the year ending 31st December, 1953, should be approximately £470,000 (before taxation). On this basis they would propose recommending further dividends amounting to 15 per cent. (less tax), which, with the Interim Dividend of 5 per cent. (less tax), paid on the 12th June, 1953, would make a total distribution of 20 per cent. (less tax) for current year.

3. The net tangible assets of the Company as at 31st December, 1952, amount to £1,321,144, sufficient to cover the nominal amount of the Preference Shares nearly three times, and the estimated profit covers the fixed Preference Dividend (and additional Profits Tax) approximately thirteen times.

4. On a dividend of 20 per cent. per annum (less tax) the Ordinary Shares would show a yield of £6 13s. 4d. per cent. per annum at the price which they are being offered for sale.

Copies of the full Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application can be obtained from:

SINGER & FRIEDLANDER LIMITED, SHELL HOUSE, 55, BISHOPS-GATE, LONDON, E.C.2.

ROWE, SWANN & CO., 22 & 24, OLD BROAD STREET, LONDON, E.C.2.

and The Stock Exchange, London.

WESTMINSTER BANK LIMITED, NEW ISSUE DEPARTMENT, 9, OLD BROAD STREET, LONDON, E.C.2, and Branches.

PRINCIPAL BRANCHES OF THE BANK OF SCOTLAND
and from the
LONDON OFFICES OF THE COMPANY, 9 Grosvenor Bldgs., London, S.W.1

of these sales are being made in dollar countries. Marconi is supplying transmitters for the Canadian stations in Montreal, Toronto, Ottawa and Vancouver while Pye Ltd., which is a big exporter of studio equipment, has supplied cameras to 17 stations in the United States. Exports of transmitting and communications equipment reached nearly £11 million last year; they are running at a slightly higher rate this year, more than £6 million for the first six months. The balance of exports is made up of sales of loose valves and components, and a change in the method of recording valve exports means that figures since January, 1953, are not strictly comparable with those of previous years.

Wool Season Opens Cautiously

THE 1953-54 wool season opened cautiously this week. At the Australian auctions, prices are now on a par or slightly below the closing levels of last season. On a clean basis, greasy super merino top-making fleece, 64/70's, is about 188d. per lb compared with 195d. at last season's close; greasy merino good top-making fleece, 64's, is also about 7d. per lb cheaper at 176d. The market is feeling its way, but the fact that prices are so nearly in line with last season's closing levels—and in some instances identical—will tend to establish confidence. Actual prices of wool tops in Bradford, which have advanced slightly since the last season closed, may revert to former levels.

This is a satisfactory start to a season that opens in more promising circumstances than the last. A year ago the wool textile industries were climbing out of the recession, there was a heavy carry-over of raw wool in Argentina and Uruguay and a large world clip in prospect. But after a hesitant beginning, prices rose fairly steadily owing to the unexpectedly sharp recovery of public demand for wool textiles and the consequent need to build up manufacturing stocks. The entire clip and the Uruguayan carry-over were cleared and the carry-over in Argentina reduced by more than half to 70 million lb (clean). The wool incomes of Australia, South Africa and New Zealand were exceeded only by the record but unfortunate year of 1950-51.

This season the world wool clip is expected to be slightly larger than in 1952-53, when production increased by six per cent to 2,435 million lb (clean). With the carry-over in Argentina the world supply may total about 2,550 million lb. World consumption of raw wool in the first half of this year was running at a rate which, if maintained, would amount to about 2,600 million annually. Statistically therefore the position seems to be strong, but there are several uncertainties, especially on the side of demand. The continued recovery of activity in major manufacturing countries has resulted mainly from the need to rebuild stocks of semi-manufactures. Production of cloth fell by 4½ per cent in the second quarter, the second successive decline. The prices of woollen goods now reaching the shops reflect the higher prices for raw wool last season, and the public has yet to give its verdict. Japan, a very active buyer of Commonwealth wool last year, is threatening to reduce purchases, owing to its shortage of sterling, although it is prepared to buy poorer quality wool from Argentina for dollars. A fall in demand from Japan was expected to be offset by increased business from the United

States. But the US Tariff Commission is now considering proposals (discussed on page 633) which, if approved by the President, are designed to restrict American demand for imported raw wool and manufactures.

FCI and Steel

THE check to the expansion in the supply of capital by the Finance Corporation for Industry that took place in 1951-52 was reversed in the Corporation's latest financial year. Its investment holdings rose by just over £8 million, to £60.9 million in the year to March 31st last; in 1951-52 they had fallen by £1.7 million. Within this portfolio its holdings in the steel industry stood still, at around £39½ million (or just under two-thirds of its total investments). Clearly, however, the role that FCI should play in further investment in the denationalised steel industry is going to be its main problem for the year ahead.

The legal position is still that FCI can withdraw its steel loans by giving six months' notice; the Iron and Steel Realisation Agency has recently assumed the Iron and Steel Corporation's liability to pay off these loans. The only intimation of future policy given by FCI is that it will not withdraw these loans unless it considers that other projects should clearly have a higher order of priority. It would indeed be odd if it did start withdrawals at this time—particularly with the first public offers of steel shares in the offing. The new five-year development programme in the steel industry may require more than £20 million a year from financial resources outside the industry itself; the private capital market is hardly likely to be able to do more than to absorb the denationalisation issues, and the Treasury (which may make loans for the development programmes of companies still owned wholly or in part by the Realisation Agency) presumably does not intend to do anything more than to make day-to-day advances to keep these programmes ticking over. Once the equity issues of the leading seven steel companies have been floated off, FCI may find itself asked to become the lender in the first resort to the major companies, whose plans account for the greater part of the industry's development programme.

Whether FCI would be willing to accept any such request would depend largely on how profitable it considered new steel loans to be. The Corporation's "balance of income" fell from £489,540 to £200,963 last year; and the whole of this surplus had again to be applied to writing down investments, so that no dividend has yet been paid to its shareholders—who comprise insurance companies, investment trusts and the Bank of England. Last year's fall in income was partly due to the incidence of special receipts in 1951-52, but it also reflected a rise in the charges for bank advances—from which FCI derives most of its loanable funds—following last year's rise in Bank rate. Some of the "escalator clauses" covering the Corporation's investments did not provide for an increase in interest rates of this magnitude—though in its recent agreements the Corporation has been very careful on this point. One hidden source of strength is that the very generous settlement of £2½ million that FCI received in compensation for the loss of its conversion rights into equity shares of the steel companies, notably the Steel Company of Wales

came too late to be credited in the latest accounts. But—after its experience with Petrochemicals and others—the Corporation, even though it was founded to foster basic development rather than to make a large profit, is in no position to take any but the soundest steel investments on to its books.

More Dollars for South Africa

THE International Bank for Reconstruction and Development, whose Governors are meeting in Washington at the same time as those of the IMF next week, has just announced the successful conclusion of negotiations for two loans totalling \$60 million to South Africa. Of this, \$30 million is to be lent directly to the Union government and will be used chiefly to pay for imports of equipment needed to enlarge the carrying capacity of South African railways. The other \$30 million is being lent to the Electricity Supply Commission, under the Union Government's guarantee; it will help to finance a programme that is designed to increase the Commission's power generating capacity by 80 per cent above its 1952 level within the next five years. Both loans carry interest at 4½ per cent, run for a term of ten years, and provide for amortisation payments to begin in 1955. Both can be explained by the fact that the development of the new gold-mining area in the Orange Free State and the recent growth of secondary industries in South Africa have put a heavy strain on the Union's railway system, power supply and public services.

These are not the first World Bank loans to South Africa. In 1951 the Bank lent the Union government \$20 million for communications development, and \$30 million to the Electricity Supply Commission. These loans have now been fully disbursed—or will be in the course of the next few weeks. The additional \$60 million now authorised will allow the impetus imparted by these earlier loans to be maintained. A particularly significant aspect of these operations is that most of the equipment to be imported for the railway and power programmes will be purchased in the United Kingdom; but, nevertheless, according to the official announcement from Washington, "the loans will consist primarily of dollars," since South Africa is able to meet its debt charges in gold. The disbursement of these dollar loans will thus in due course help to fortify Britain's dollar reserves—an example of an untied loan that the British representatives at next week's World Bank meeting will no doubt greet with acclaim.

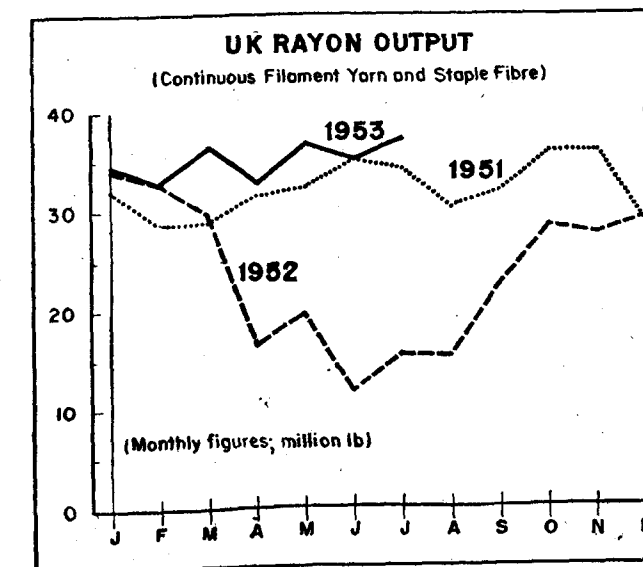
Rayon's Peak

RAYON production touched 37.1 million pounds for the first time in July, and there is no sign yet of the check in demand that would normally be expected if rayon users were in fact replacing the stocks that they ran down to nothing last year. The steady shift of spindles in Lancashire from cotton on to rayon is reflected in the still rising output of rayon staple. A year ago staple production had

dropped to 3 million pounds a month; by July this year it had risen to 18.2 million. At 2s. a pound, rayon staple is highly competitive with American-type raw cotton, and a good deal of staple-producing capacity is being brought into full operation for the first time this year.

Future levels of rayon production may depend very largely on the level at which exports can be maintained. Their value during the first seven months of the year reached little more than £25 million, only slightly below their level over the same period of 1952, but a good £10 million less than their value in the first seven months of 1951. The arbitrary imposition of import restrictions, and the clamour for higher tariffs from the domestic industries of importing countries tend both to depress the level of textile exports and to intensify the competition for markets between exporting countries.

By next year, however, figures for both rayon production and exports will begin to need considerable qualification. Synthetic fibres like nylon and "terylene" are included in



the figures given for rayon because they have generally only one producer and the Board of Trade does not reveal the production figures of individual companies. New large-scale plants for these and other fibres will be coming into production during the next few years and will swell the rayon production figures by several million pounds a month.

Recently the Board of Trade has announced that it will grant import licences for limited quantities of other synthetic yarns from dollar countries. Small quantities have been allowed in during the past eighteen months, about £30,000 worth has come in so far this year, and by the end of December the total imports of these fibres from dollar countries may reach £100,000. The purpose of granting licences for these fibres, mainly "orlon," with some "acrylan" and "dynel" is to give the British textile manufacturers an opportunity to experiment with them and to test the market. On the evidence of these experiments will be based the decisions whether these additional synthetics are put into production in this country. Many of them cost seven to ten times the price of rayon yarns, and unless the Board of Trade and the Customs and Excise departments together decide to admit some new classifications into man-made fibres, statistics of either the production of "rayon" or the exports of "artificial silk"—the two official terms for these fibres—will become meaningless.

Boys for the Jobs?

NO successor to Mr Ebby Edwards as labour relations member of the National Coal Board had been appointed by the time that Mr Edwards's period of service ran out this week, though betting in the industry had narrowed the field to two or three names. Constitutionally, Mr Edwards had been appointed by the Minister of Fuel and Power simply as one of the full-time members, and since the board still has its necessary complement of these, the appointment of a successor has not been a matter of urgency for the Minister. But labour relations is one of the departments for which individual members continued to have direct responsibilities when the board moved away from the functional principle some years ago; and it seems likely that a new member will be required for it. The job is not altogether a comfortable one. Negotiations with the National Union of Mineworkers no longer tend to reach Downing Street, but the labour relations member negotiating with NUM leaders has a chairman and a Minister above him to whom wages must be of vital interest. Moreover, the NUM is one of the bodies whose views the Minister is likely to consider in making his appointment. So the selection of a recruit both qualified and willing to fill this vacancy—like other vacancies in the hierarchies of the nationalised industries—may have its difficulties.

The lack of a full-time board member to head the department, in the short run, would hardly dislocate its operations. The NUM leaders were instructed at their annual conference this year to consider a further wage claim on behalf of the industry's lower-paid workers. This was to be buttressed by an inquiry into wages, costs, distributive margins and prices of coal to different classes of consumer; but whether the union will delay the claim until it has finished delving is perhaps doubtful. The department has still on its hands the interminable joint investigation, with the union, of the industry's wages structure; it does not appear that the investigators have advanced much further with this since it was interrupted by the wages increase early this year. The union can claim to have its own policy on this more clearly defined than the board, which is not surprising. It is easier to argue clearly and conveniently that the pay of day wage men doing the same jobs in all wages districts ought to be brought up to the average in the highest district than to count the cost and then to consider how far this principle is inevitable. Moreover, last year's elaborate statistical inquiry into the pay of workers at all the pits in the country has perhaps introduced some uncertainty into just what "district wage differentials" really mean. This unrewarding joint task is perhaps the most important issue with which a new board member taking on labour relations will have to grapple: some new thinking on the problem would certainly be opportune.

Company Notes

BEECHAM GROUP. The directors of the Beecham group, who have always been commendably aware of the advantages of advertising in all its forms, have again issued an attractive and informative set of full accounts to the 34,000-odd owners of the company's preference and equity shares. The story that these accounts have to tell, however, is that the group did little more than mark time in the year to March 31st last. The value of its total sales, at just over £25 million, and its profits, at just over £2.9 million, were practically unchanged; the dividend rate of 40 per cent was also repeated, but actual dividend disbursements rose from £324,713 to £390,350 following the recent "rights" issue of deferred ordinary shares. There were, however, some changes in the pattern of the group's trade. At home its sales of proprietary foods, medicines and toilet products continued to expand, while sales by the group's wholesale grocery companies again fell; abroad, the group's sales in the Americas and in Europe again increased but this was rather more than offset by a decline in sales in the sterling area countries.

The most satisfactory feature of the year was the reduction in the group's working capital commitments. The book value of its stocks fell quite sharply—

from £5,800,873 to £4,401,442—and cash balances rose accordingly, from £473,983 to £1,229,798, while bank overdrafts declined from £2,618,811 to £676,233. The group has already done much to consolidate its footing in American markets and it is now embarked on transatlantic diplomacy in reverse by trying to establish a mass market for Coca Cola in this country; if it succeeds, there is no lack

	Years to Mar. 31,	
	1953	1952
Consolidated earnings:		
Gross turnover	25,411,324	25,152,096
Trading profit	2,922,814	2,917,898
Depreciation	317,756	386,380
Taxation	1,509,856	1,563,492
Net profit	887,341	766,762
Ordinary dividends	324,713	390,350
Ordinary dividends (per cent)	40	40
Retained by subsidiaries	403,536	225,185
Retained by parent company	18,655	10,790
Consolidated balance sheet:		
Fixed assets, less depreciation	4,478,946	4,628,131
Goodwill, Patents etc.	11,205,149	11,044,303
Net current assets	3,517,387	4,853,590
Stocks	5,800,873	4,401,442
Cash	473,983	1,229,798
Bank overdrafts	2,618,811	676,233
Reserves	8,552,724	9,619,201
Ordinary capital	1,512,500	1,850,000
2s. 6d. ordinary share at 13s. x d. yields 7 1/4 per cent.		

of liquid funds to prevent dividends from rising.

A. C. COSSOR. In the last few years the Cossor group of radio and television manufacturers has gradually put a previously battered house in order—partly with the help of defence contracts. Losses have been turned into profits; preference dividend arrears have been paid off; and equity payments have been resumed. It has always been clear, however, that this spring cleaning would not be complete until the group had raised new capital on the market. That stage has now been reached, and the directors propose that a further 2,500,000 5s. ordinary shares should be created; they intend "to take the first available opportunity to issue at least part of the new capital." The greater part of these new funds will be needed to pay off the bank overdrafts (totalling £793,433 at the end of last March) that have financed the recent expansion in the group's business.

The chairman has issued an assurance that the present dividend rate of 10 per cent could be maintained on an increased equity capital, and has even hinted that the company might be able in favourable circumstances to push up this rate a little. But much will depend on the profitability—and future—of defence contracts. In the year to March 31st last the group's turnover rose from about £5,750,000 to nearly £7,250,000 (including about £1,500,000 in export sales), but its trading profits actually fell slightly, from £482,876 to £464,917. This divergent movement in sales and in profits was due to the fact that

government defence contracts accounted for a considerable part of the increase in sales; and profit margins on these orders are, in Lord Burghley's words, "strictly limited." Clearly, then, the group is still very dependent upon defence contracts;

	Years to Mar. 1,	
	1952	1953
Consolidated earnings:		
Gross turnover	5,750,000	7,250,000
Trading profit	482,876	464,917
Total income	522,164	492,883
Depreciation	67,465	67,433
Taxation	249,801	223,200
Net profit	204,898	202,250
Ordinary dividends	31,500	33,000
Ordinary dividends (per cent)	10	10
General reserve	10,000	—
Added to group carry forward	37,465	33,883
Consolidated balance sheet:		
Fixed assets, less depreciation	694,278	681,239
Net current assets	1,545,458	1,614,323
Stocks	2,875,437	2,504,496
Cash	18,853	145,629
Bank overdrafts	813,891	793,433
Reserves	754,781	793,380
Ordinary capital	600,000	600,000

and although these contracts have helped the group to keep its development and research programme abreast of its competitors, this dependence is none too sure a base for trade. Any prospective investors in the new issue should therefore weigh the question mark that hangs over the group's long-term prospects against the short-term consideration that new money will remove the group's reliance on the banks, whose increased charges last year played their part in reducing net profits from £96,014 to £63,816.

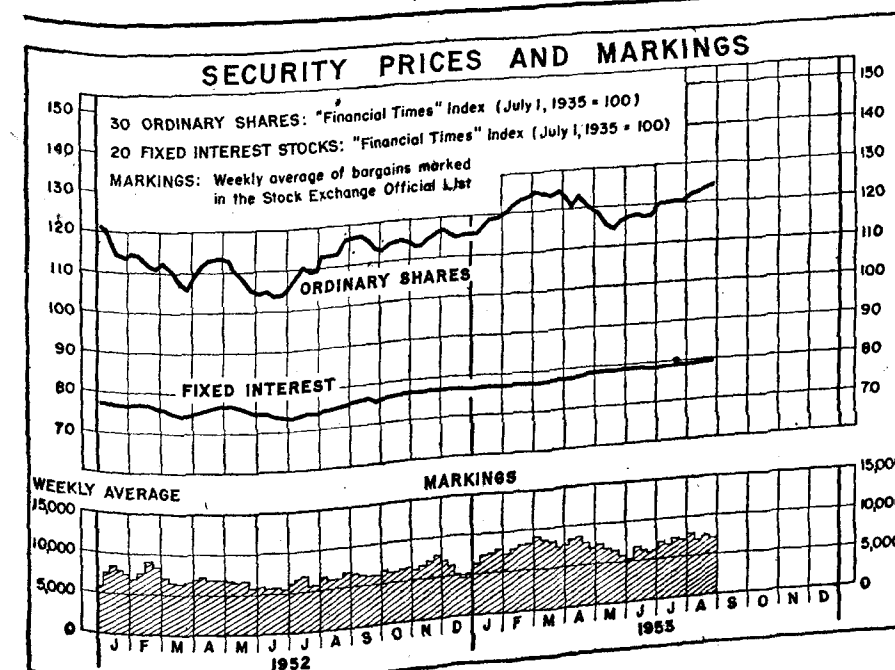
FURNESS WITHEY. A story that is now all too familiar to shareholders in shipping companies is unfolded in the full accounts of Furness Withy for the year to April 30th last. The group's gross profits were squeezed between the fall in freight rates and the steady rise in operating costs; they fell from £8,012,577 in 1951-52 (admittedly a peak year) to

£5,143,900. This decline in profits led to a fractional reduction in the ordinary dividend rate (from 12½ to 12 per cent), although, as was pointed out in these columns on August 15th, this reduction was rather more than offset by the reduction in the standard rate of tax deducted from dividend warrants.

The company has an estimated balance of expenditure for new tonnage at nearly £12½ million; although as it has ample cash and near liquid resources in hand to meet immediate capital commitments, it is therefore peculiarly hard hit by the burden of replacement. Indeed, in drawing attention to the rise in shipbuilding costs, the chairman, Sir Ernest Murrant, goes as far as to say that "the position is most unsatisfactory and the only remedy appears to be for shipowners to call a halt in ordering new ships except for bare necessities." Unless the Royal Commission on Taxation comes out with some

	Years to April 30,	
	1952	1953
Consolidated earnings:		
Gross profit	8,012,577	5,143,900
Total income	8,476,607	5,701,372
Depreciation	1,875,734	2,046,585
Taxation	3,243,742	1,482,154
Net profit	2,531,210	1,696,412
Ordinary dividends	393,750	396,000
Ordinary dividends (per cent)	12½	12
Retained by subsidiaries	1,539,728	860,321
Fleet replacement account	500,000	400,000
Added to carry forward	78,357	Dr 222
Consolidated balance sheet:		
Shipping property, etc., less depreciation	19,629,224	19,588,810
Debtors	4,042,475	2,389,239
Quoted investments	6,900,183	8,187,610
Cash, etc.	10,888,163	9,998,050
Reserves	18,370,231	20,485,111
Ordinary capital	5,266,287	5,316,787

£1 ordinary stock at 29s. x d. yields 8½ per cent. proposal to mitigate the peculiarly vicious problem of inadequate depreciation allowances in the shipping industry, the company's 5s. ordinary shares—which at the current price of 29s. x d. yield 8½ per cent—can therefore hardly be regarded as an expanding equity, to say the least.



LONDON STOCK EXCHANGE

Next Account begins: September 16th.
Next Contango Day: September 16th.
Next Settlement Day: September 8th.

ALTHOUGH gilt-edged securities continued to improve this week, industrial equities were more hesitant. There was a steady flow of small buying orders into the gilt-edged market and most of the medium dated and longer dated stocks were marked up; by the close on Wednesday War Loan had improved to 82½ and Transport (1978-88) to 81½. Dominion and Colonial loans, particularly the Australian issues, were also marked up but at the close on Wednesday last week's new East African loan—a 4 per cent stock (1968-71)—still stood at its issue price of 95. Banking shares were idle but firm; insurance shares were rather more active, with especial interest concentrated upon Caledonian Assurance, which rose to 6½ before denials by companies that had been suggested as possible bidders for the shares brought the price back to 5½. In the foreign market Japanese and German issues moved rather irregularly within narrow limits at the end of the old account; then, on the first day of the new account German issues made fractional losses and Japanese bonds fractional gains. Elsewhere United Railways of Havana were in demand on take-over rumours.

The nervous fluctuations in Wall Street brought rises in most sections of the industrial market to a halt. Generally, however, the undertone was reasonably firm. The only sectors in which any notable gains were scored were breweries and tobaccos; by the close on Wednesday "Imps" had risen to 55s. 9d., a gain of 1s. 7d. on the week. Oil shares remained firm, with Anglo-Iranian being in particular demand.

Rubber shares were steady and tea shares made a number of good gains. The World Bank loan to South Africa helped to give rather a firmer note to dealings in the Kaffir market, but prices improved by only a few pence. Base metal shares tended to improve after the new account had opened.

FINANCIAL TIMES INDICES				
1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Aug. 26...	123.9	108.97	4.10	5.65
" 27...	123.9	109.03	4.10	5.65
" 28...	124.1	109.04	4.10	5.64
" 31...	124.3	109.08	4.10	5.63
Sept. 1...	124.0	109.09	4.14	5.65
" 2...	123.9	109.16	4.12	5.66
1953, High.	125.0	109.16	Aug. 26	6.674
" (Mar. 6)			(Sept. 2)	" 27
" Low..	113.9	105.68	" 28	6.105
" (May 20)			(Jan. 5)	" 28
1952, High.	121.5	106.66	" 31	8.302
" (Jan. 1)			(Jan. 9)	Sept. 1
" Low..	103.1	100.67	" 2	7.318
" (June 24)			(July 3)	

* July 1, 1925=100. † 1928=100.

LONDON ACTIVE SECURITIES

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

(a) To earliest date. (f) Flat yield. (l) 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, 1953 Jan. 1 to Sept. 2		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Aug. 26, 1953	Price, Sept. 2, 1953	Yield, Sept. 2, 1953
High	Low	High	Low			
88 1/2	81 1/2	Aust. 3 1/2% '65-69	88 1/2	89 1/2	4 5 3 1/2	4 5 3 1/2
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65	93 1/2	93 1/2	3 18 4 1/2	4 8 11 1/2
98 1/2	89 1/2	S. Africa 3 1/2% '54-59	96 1/2	96 1/2	4 3 5 1/2	4 8 11 1/2
65	60 1/2	L.C.C. 3% aft. 1920	69 1/2	69 1/2	4 3 10 1/2	4 13 2
91 1/2	84 1/2	Liverpool 3% '64-64	93 1/2	93 1/2	3 14 8 1/2	4 13 2
91 1/2	85 1/2	P.L.A. 3 1/2% '66-71	91 1/2	91 1/2	4 4 8 1/2	4 13 2
103 1/2	97 1/2	Agrie. Mort. 5% '59-89	102 1/2	102 1/2	4 12 3 1/2	4 13 2
68 1/2	61 1/2	Austria 4 1/2% '34-59	73 1/2	73 1/2	4 12 5 1/2	4 12 5 1/2
13 1/2	5 1/2	Chinese 5% 1913	15 1/2	16 1/2	Nil	Nil
68 1/2	43 1/2	German 5%	56 1/2	56 1/2	...	...
85 1/2	45 1/2	German 4%	76 1/2	77 1/2	...	...
145 1/2	103 1/2	Japan 5% 1907	129 1/2	128 1/2	...	...

Prices, 1953 Jan. 1 to Sept. 2		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Aug. 26, 1953	Price, Sept. 2, 1953	Yield, Sept. 2, 1953
High	Low	(a)	(b)	(c)				
66/10 1/2	58/1 1/2	7 1/2	6 1/2	7 1/2	Barclays "B" £1	65/-	65/6	4 5 6
54/9	46/3	6 1/2	5 1/2	6 1/2	Lloyds "A" (£5, £1 pd.)	53/6	54/-	4 8 11 1/2
72/9	64/-	8 1/2	7 1/2	8 1/2	Midland £1, fully pd.	71/6	72/-	4 8 11 1/2
74/1 1/2	59/3	8 1/2	7 1/2	8 1/2	N. Prov. "B" (£5, £1 pd.)	73/-	73/-	4 13 2
82/-	70/-	9 1/2	8 1/2	9 1/2	Westminster £4, £1 pd.	80/-	80/-	4 10 0
75/3	67/6	10 1/2	9 1/2	10 1/2	Alexanders £2, £1 pd.	74/-	75/3	4 13 0
51/3	41/4 1/2	5 1/2	4 1/2	5 1/2	Nat. Disc. "B" £1	47/6	50/-	4 0 0
46/3	39/-	5 1/2	4 1/2	5 1/2	Union Disc. £1	44/6	46/-	4 6 11 1/2
39/7 1/2	32/3	4 1/2	3 1/2	4 1/2	Barc. (D.C. & O.) "A" £1	37/-	37/-	4 6 6
49/-	39/3	7 1/2	6 1/2	7 1/2	Chart. Bk. of India £1	42/-	42/6	6 11 9 1/2
8 1/2	7 1/2	50 a	85 b	Leg. & Gen. £1 5/- pd.	8 1/2	8 1/2	3 18 3	3 18 3
21 1/2	17 1/2	40 1/2	100 1/2	20 1/2	Pearl £1, fully pd.	20 1/2	21 1/2	5 2 8
38 1/2	32 1/2	100 1/2	105 1/2	36 1/2	Prudential "A" £1	36 1/2	37 1/2	5 2 6
131/6	114/9	33 b	10 a	Bass £1	116/3	116/3	7 7 11	7 7 11
17/1 1/2	15/9 1/2	7 1/2	15 b	Distillers 4/-	17/3	17/-	5 5 11	5 5 11
31/1 1/2	27/-	10 b	7 a	Guinness 10/-	29/9	30/3	5 12 5	5 12 5
10/-	8/-	8 b	4 a	Ind. Coope 5/-	8/6	8/6	7 1 2	7 1 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. (l) To latest date. (m) Yield basis 10%. (n) Dividend of 17 1/2% for 4 months; yield basis 10%. (o) Yield basis 8 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 12 1/2% after capital bonus. (t) Yield basis 19 1/2% gross. (u) Yield basis 30%. (v) Yield basis 7 1/2%.

New York Closing Prices

Aug. 26		Sept. 2		Aug. 26		Sept. 2	
\$	¢	\$	¢	\$	¢	\$	¢
23 1/2	23	23 1/2	23	29 1/2	29 1/2	29 1/2	29 1/2
23 1/2	23	23 1/2	23	42 1/2	42 1/2	42 1/2	42 1/2
23 1/2	23	23 1/2	23	23 1/2	23 1/2	23 1/2	23 1/2
20	19 1/2	20	19 1/2	67 1/2	67 1/2	67 1/2	67 1/2
154 1/2	154 1/2	154 1/2	154 1/2	73 1/2	73 1/2	73 1/2	73 1/2
18 1/2	18 1/2	18 1/2	18 1/2	57 1/2	57 1/2	57 1/2	57 1/2
4 1/2	4 1/2	4 1/2	4 1/2	57 1/2	57 1/2	57 1/2	57 1/2
44 1/2	44 1/2	44 1/2	44 1/2	39 1/2	39 1/2	39 1/2	39 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: Production and Trade.....	This week
Production and Consumption.....	Aug. 15th	British Commonwealth.....	Aug. 15th
Manpower.....	Aug. 22nd	Western Europe: Prices and Money Supply	Aug. 22nd
External Trade.....	Aug. 29th	United States.....	Aug. 29th
Financial Statistics.....	This week		
Industrial Profits.....	Aug. 1st		

Prices and Wages

	Unit	1950	1951	1952	1952			1953			
		mid-June			Aug. 20	Aug. 27	Sept. 3	Aug. 11	Aug. 18	Aug. 25	Sept. 1
WORLD PRICES											
The Commodity Price Indicator:											
All items.....	1952=100	90	126	99	94	94	95	90	91	91	91
Food.....	"	80	114	109	100	100	100	98	100	99	99
Fibres.....	"	101	167	99	81	81	85	88	87	87	88
Metals.....	"	75	99	100	98	98	98	76	77	76	77
Other items.....	"	97	131	96	94	92	92	97	99	100	99
Monthly averages											
		1950	1951	1952	1952			1953			
					May	June	July	April	May	June	July
BRITISH WHOLESALE PRICES											
Old series:											
All articles.....	1938=100	258.7	315.0	323.3	323.2	322.9	322.5	328.3	326.1	325.4	324.9
Food and tobacco.....	"	227.3	253.9	292.0	287.3	290.5	296.6	325.2	324.1	322.8	322.3
June 30,											
Materials used in:											
Non-food manufacturing.....	1949=100	138.6	193.3	162.1	162.1	160.0	159.3	148.6	146.9	145.8	144.1
Mechanical engineering.....	"	113.2	134.3	149.9	151.7	151.6	152.8	145.9	143.4	143.1	144.5
Electrical machinery.....	"	122.0	151.9	165.4	165.6	167.6	170.7	156.5	151.2	150.8	152.8
Building and civil engineering.....	"	106.1	125.6	133.6	134.9	135.4	134.0	130.7	130.2	130.2	130.6
House building.....	"	105.2	123.0	130.6	131.8	130.5	130.7	129.0	128.8	128.5	128.4
June 30,											
Commodities:											
Cotton, raw.....	1949=100	156.8	223.2	171.9	174.3	165.9	164.4	137.2	139.4	140.0	140.9
Wool, raw.....	"	195.8	252.3	147.9	141.6	146.8	158.5	174.8	182.4	174.9	171.1
Rubber, No. 1 RSS, one month future.....	"	324.6	499.1	282.8	262.0	263.2	263.6	201.9	210.8	202.7	192.5
Softwood, imported.....	"	96.3	143.5	158.0	163.3	151.8	151.4	150.1	146.6	143.7	140.9
Copper, H.C. electrolytic, delivered.....	"	152.2	187.5	220.7	196.6	219.3	243.6	233.7	215.2	214.5	214.5
UK RETAIL PRICES											
Interim Index:											
All items.....	June 17, 1947=100	114	125	136	135	138	138	141	140	141	141
Jan. 15, 1952=100	"	...	...	102.6	102.4	103.9	103.8	106.4	106.0	106.6	106.6
Food.....	"	...	...	105.4	104.4	108.7	108.5	112.6	112.7	113.8	113.7
1938=100											
All items.....	"	185	202	221	220	223	223	229	228	229	229
Food.....	"	172	191	221	219	228	227	236	236	238	238
Rent and rates.....	"	114	119	122	122	123	123	130	130	130	130
Clothing.....	"	216	249	259	262	259	257	253	253	253	253
Fuel and light.....	"	161	177	197	193	195	196	209	203	205	205
Household durable goods.....	"	245	288	294	296	294	292	290	283	282	284
Drink.....	"	...	...	...	...	...	...	...	...	...	...
Tobacco.....	"	314	318	386	386	386	386	387	387	387	387
Purchasing power of £ (based on all consumer spending)....											
1938=100	"	52	48	44	44	43	43	42	43	42	42
UK TERMS OF TRADE											
Import prices:											
All items.....	1952=100	76	102	100	103	101	100	88	87	87	87
Food, drink and tobacco.....	"	83	96	100	103	102	101	98	98	97	97
Raw materials.....	"	71	110	100	103	100	99	84	82	80	80
Export prices:											
All items.....	"	81	95	100	101	101	100	97	97	96	96
All manufactures.....	"	80	95	100	101	101	100	97	97	97	96
Metals and engineering goods.....	"	80	89	100	99	101	101	101	100	100	100
Textiles and clothing.....	"	84	110	100	104	99	96	91	91	92	92
Terms of trade:											
Ratio of import to export prices.....	"	95	108	100	102	100	100	93	91	91	91
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)											
1952=100	"	...	...	100.0	105.8	91.2	73.5	85.6	82.2	73.8	75.8
UK WAGES											
Weekly wage rates:											
All workers.....	June 30, 1947=100	111	120	130	129	129	129	135	135	135	136
Men.....	"	110	119	129	128	128	128	134	134	134	134
Women.....	"	114	123	133	132	132	132	139	139	139	140
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	80	67	63
1951	179	118	121	125	218	171	130	144	128	119	112	115
1952	181	114	116	131	231	170	123	147	130	119	110	133
1953												
March	174	113	124	130	244	169	...	160	144	129	115	...
April	...	115	121	129	249	175	...	156	142	124	119	...
May	...	...	122	131	247	183	...	161	135	128	114	...
June	...	...	121	...	248	...	...	...	145	...	...	...

	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												
March	1,107	10,782	600	130.99	1,277	411.9	17.00	130.30	740	643	669	112.3
April	1,092	9,893	539	132.87	1,252	502.9	14.68	126.36	672	495	688	112.9
May	1,232	9,615	507	111.43	1,237	...	...	127.40	697	506	681	113.3
June	...	...	523	135.12	1,338	...	...	...	772	...	681	...

	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	84.7
1953												
March	970	9,614	577	120.49	1,474	139.9	10.36	76.13	681	330	555	110.1
April	903	9,242	444	126.55	1,526	156.4	7.70	73.44	679	283	594	88.5
May	1,028	9,163	464	115.45	1,428	...	...	72.50	580	269	582	101.5
June	...	...	534	127.29	1,554	...	...	...	628	...	697	...

	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												
March	-138	-1,168	-23	-10.50	+196	-272.1	-6.64	-54.17	-59	-313	-113	-2.2
April	-189	-651	-95	-6.32	+274	-346.4	-6.98	-52.92	-7	-212	-94	-24.5
May	-204	-452	-43	+4.02	+192	...	...	-54.90	-12	-237	-99	-11.8
June	...	...	+11	-7.83	+216	...	...	...	-144	...	+16	...

VOLUME OF EXTERNAL TRADE⁽¹⁾ (1948 = 100)

	266	93	118	102	249	...	79	92	118	100	94	91
1938	213	122	153	126	208	...	118	133	150	132	129	161
1951	217	118	148	129	241	...	97	146	132	128	119	221
1952												
March	232	122	...	136	251	...	121	168	153	156	...	201
April	230	...	...	146	251	...	104	162	143	136	...	209
May	...	...	...	119	247	...	...	...	...	123	...	...
June	...	...	...	144	279	...	...	...	...	...	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	124	111	108
1951	204	149	193	236	622	...	135	163	243	152	150	127
1952	202	137	185	208	670	...	163	140	255	140	132	155
1953												
March	267	145	...	226	735	...	209	143	282	159	...	207
April	245	...	...	236	766	...	165	145	267	148	...	170
May	...	...	...	218	731	...	...	...	...	126	...	...
June	...	...	...	236	819	...	...	...	...	...	...	...

(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; Austria, manufactured gas; and Norway, electricity. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade: Belgium includes Luxembourg.

EXCHEQUER RETURNS

For the week ended August 29th there was an "above-line" surplus (after allowing for Sinking Funds) of £12,294,000 compared with a deficit of £42,321,000 in the previous week and a surplus of £15,498,000 in the corresponding period last year, bringing the cumulative deficit to £183,613,000 (£227,352,000 in 1952-53). Net expenditure "below-line" absorbed £7,764,000 bringing the total cumulative deficit to £380,166,000 (£488,619,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Aug. 30, 1952	April 1, 1953 to Aug. 29, 1953	Week ended Aug. 30, 1952	Week ended Aug. 29, 1953
Ord. Revenue					
Income Tax	1782,250	421,588	398,057	18,529	17,892
Corporation Tax	127,000	29,300	29,100	600	800
Excise	160,000	63,600	69,200	2,300	2,500
Stamp Duties	52,000	20,850	22,100	900	1,100
Lottery	214,000	163,100	81,600	10,500	4,800
Other	99,500	...	26,450	...	3,900
Total	1,000	850	380	30	...
Expenditure					
Interest on Debt	2435,750	699,268	626,887	32,859	30,992
Other	1044,300	425,565	434,707	20,709	22,409
Total	680,480	321,293	317,978	29,260	27,465
Surplus or Deficit	1724,780	746,858	752,685	49,969	49,874
Other					
Income Tax	69,000	11,394	12,854	234	2,000
Corporation Tax	2,685	4,050	4,750	750	850
Excise	16,000	4,050	4,750	115	1,491
Stamp Duties	25,000	8,745	10,540	289	4,351
Lottery	95,000	32,295	49,595	...	...
Total	4388,215	1502,810	1467,821	84,216	85,558
Ord. Expenditure					
Interest on Debt	615,000	223,331	228,299	2,637	3,006
Other	10,000	14,634	18,650	1,660	2,018
Total	48,000	4,514	4,391	349	21
Surplus or Deficit	3586,286	1476,211	1378,892	63,671	67,966
Total	4259,286	1718,590	1630,232	68,206	73,014
Surplus or Deficit	11,272	11,302	510	250	...
Other					
Income Tax	43,931	89,124	11,121	4,428	...
Corporation Tax	12,500	9,400	600	500	...
Excise	43,879	26,103	1,824	525	...
Total	43,879	26,103	1,824	525	...

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Total Floating Debt
Date	Tender	Public Depts.	Bank of England
1952 Aug. 30	3,040.0	1,445.7	292.1
1953 June 6	3,130.0	1,461.9	244.6
" 13	3,160.0	1,483.0	239.0
" 20	3,180.0	1,385.0	277.6
" 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	265.5
" 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

Financial Statistics

THE MONEY MARKET

At last week's Treasury bill tender, the market unexpectedly raised its bid by 2d., to 99 8s. 4d. per cent for the record total of £280 million of bills on offer. Despite an increase of £12 million in total applications, the proportion of the market's bid to be allotted rose to the unusually high figure of 77 per cent; the result was that the average rate of discount was brought down by 8d. to 2 6s. 8.25d. per cent, giving the Government its cheapest borrowing since April, 1952. At yesterday's tender, a new record total of £300 million of bills were on offer; if all these are allotted the excess of new bills over maturities will rise to £30 million next week.

The authorities have again stepped in with special purchases of bills whenever credit has been in stringent supply; special help was in fact accorded on Thursday of last week and on each of the first three days of this week—although only on Monday and Tuesday did the authorities' purchases, both from the banks and the market, reach sizeable proportions. On Friday and Saturday of last week, however, conditions were temporarily comfortable without official intervention; in fact some funds from outside sources came on offer at 1½ per cent. At the middle of this week the big banks were buying November bills from the discount market at 2½ per cent, October bills at 2½ per cent and Septembers at 2½ per cent.

The Bank return shows that some £1,800,000 of notes have flowed back from active circulation. Largely because of this bankers' balances have risen by £1,200,000.

London Money Rates

Bank rate (from 2½% 11/3/52)	%	Discount rates	%
Bank bills: 60 days	3	Bank bills: 60 days	3
Bank bills: 3 months	3	Bank bills: 3 months	3
Bank bills: 6 months	3	Bank bills: 6 months	3
Bank bills: 9 months	3	Bank bills: 9 months	3
Bank bills: 12 months	3	Bank bills: 12 months	3
Bank bills: 15 months	3	Bank bills: 15 months	3
Bank bills: 18 months	3	Bank bills: 18 months	3
Bank bills: 21 months	3	Bank bills: 21 months	3
Bank bills: 24 months	3	Bank bills: 24 months	3
Bank bills: 27 months	3	Bank bills: 27 months	3
Bank bills: 30 months	3	Bank bills: 30 months	3
Bank bills: 33 months	3	Bank bills: 33 months	3
Bank bills: 36 months	3	Bank bills: 36 months	3
Bank bills: 39 months	3	Bank bills: 39 months	3
Bank bills: 42 months	3	Bank bills: 42 months	3
Bank bills: 45 months	3	Bank bills: 45 months	3
Bank bills: 48 months	3	Bank bills: 48 months	3
Bank bills: 51 months	3	Bank bills: 51 months	3
Bank bills: 54 months	3	Bank bills: 54 months	3
Bank bills: 57 months	3	Bank bills: 57 months	3
Bank bills: 60 months	3	Bank bills: 60 months	3

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills, the rate is 3½ per cent.

BANK OF ENGLAND RETURNS

(£ million)

	1952	1953	
	Sept. 4	Aug. 26	Sept. 2
<i>Issue Department* :</i>			
Notes in circulation	1,455.5	1,545.7	1,543.5
Notes in banking dept.....	44.9	29.7	32.8
Govt. debt and securities*	1,496.8	1,571.8	1,571.8
Other securities	0.7	0.7	0.7
Gold coin and bullion	2.9	2.9	2.9
<i>Banking Department :</i>			
Deposits :			
Public accounts	10.7	8.8	9.6
Treasury special account ..	23.0	31.6	31.6
Bankers	257.7	277.5	278.7
Others	67.2	67.3	68.0
Total	358.6	385.2	387.9
Securities :			
Government	301.3	351.5	352.3
Discounts and advances	12.7	3.6	6.6
Other	16.7	16.3	13.2
Total	330.7	371.4	372.1
Banking department reserve ..	46.5	32.1	34.3
	%	%	%
" Proportion "	12.9	8.3	8.8



Ten million families put their faith in HOME SERVICE INSURANCE

Issued by the
Industrial Life Offices



New Bank in Papua, New Guinea

Papua, New Guinea is a focal point in Pacific affairs by reason of its first class importance strategically.

Commercially, this territory carries on a vigorous and expanding trade with many parts of the world, exporting rubber, coconut and sisal and importing a widening range of goods.

To help meet these developments, A.N.Z. Bank opened on 3rd September a Branch at Port Moresby, Papua where our Manager will gladly make 'on the spot' enquiries for Trade and Commerce.

Write to or telephone Overseas Department of the Head Office of the Bank in London for any information you may want regarding this region—



AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
The Bank of Australasia Limited Established 1835
The Union Bank of Australia Limited Established 1837
71 CORNHILL, LONDON, E.C.3. Tel: AVenue 1281

expanding economy

Industrialists and traders will find in Canada immense natural resources and great opportunities in a rapidly expanding economy. Canada's oldest bank possesses accurate and up-to-date reports on trading trends throughout this vast country.

This information is at your service.



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)

when called upon to advise

ON INVESTMENT



as an executor . . .

the principal objective is to ensure safety, a good steady return and the ability to realise on capital without loss should occasion arise.



as an accountant . . .

the problem usually revolves round the safe disposal of surplus funds or reserves: the ability to realise quickly and without loss when required is equally essential.



as a solicitor . . .

a variety of problems may arise — money realised by sale of property, the settlement of estates, the investment of legacies — but in all cases safety for capital plus regular interest and accessibility of money without loss are the main objectives.

everything points to the
advantages of investment

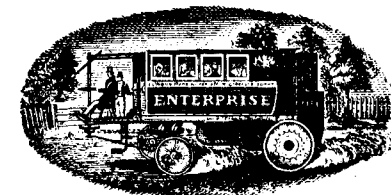
in the CO-OPERATIVE PERMANENT BUILDING SOCIETY

SECURITY — FREEDOM FROM FLUCTUATION
IN VALUE, ACCESSIBILITY AND 2½% WITH
INCOME TAX PAID BY THE SOCIETY

FUNDS £75,000,000
RESERVES EXCEED £3,000,000

you are invited to write for full particulars to
NEW OXFORD HOUSE, LONDON, W.C.1. Tel. HOLborn 2302
City Office: 163 MOORGATE. Tel. MONarch 3556

THE LONDON OMNIBUS serves the public



Walter Hancock's steam omnibus was first introduced to a waiting public in 1833 and was named, appropriately, the 'Enterprise'.

Another public enterprise is now presented by the London Assurance with the appearance of a selection from their omnibus collection of policies.

CONDUCT — EXCELLENT

And you will receive full marks as a father for prudence and foresight if you have provided for school fees and other educational expenses in advance by means of an Educational Policy.

COVER POINT

Few cricket seasons pass without some injury — and it may not always be a grazed elbow. Our Sportsmen's Policy covers you financially according to the risks of the game with premiums ranging from £1 for cricket to three half-crowns for bowls — and that's a point worth remembering.

BURNING QUESTION

How much loss would a fire cause you? Fires have a way of quickly spreading through your property, and though nothing can put back what goes up in smoke, our Fire Policy does make good your losses.

. . . and finally . . .

If you would know more about any of the policies outlined here, if we can provide information about any other particular policies or about insurance problems generally — pray make what use of us you wish. Our address is 1 King William Street, Department T.6, London, E.C.4.

THE LONDON ASSURANCE



COMPANY MEETINGS

CROPPER & COMPANY, LIMITED

(Carton Manufacturers)

DISTRIBUTION OF 42½ PER CENT

MR FRANK W. J. SMITH'S STATEMENT

The fifty-sixth annual general meeting of Cropper & Company, Limited, was held on August 27th at the registered office of the company, Thatcham, Berkshire, Mr Frank W. J. Smith, chairman and managing director, presiding.

The following is his statement which was circulated with the annual report and accounts for the year ended June 30, 1953:

Before dealing with the results for the past year I wish to pay a tribute to the memory of the late Mr Charles Priestley Forster, who passed away on Friday, June 12th last, after many years' service with the company, formerly as secretary and latterly also as a director. He was greatly revered and respected not only by his colleagues but also by a wide circle of friends. He will be greatly missed, especially at Thatcham.

Now it is my further sad duty to mention the passing suddenly of another late colleague, Mr Digby Cropper, a past director of this company. Mr Digby Cropper, who retired some years ago, attained a great age and had served the company faithfully for over 50 years. I, personally, missed him as a colleague on his retirement, and also as a great friend of so many years' standing.

The profit for the year ended June 30, 1953, before taxation, amounts to £246,617, and is the highest net profit in the history of the company with the exception of the years 1951 and 1952, which were abnormal. Taxation amounts to a total of £98,885, leaving the net profit of £147,732 for the year, after deduction of tax. After adding the balance brought forward from last year of £49,821 and deducting the net cost of the interim dividend of £17,52 and the preference dividend of £5,914, there is a disposable balance of £174,097.

The directors recommend the payment of a final dividend of 30 per cent, which, with the interim dividend of 12½ per cent paid in January last, makes a total of 42½ per cent for the year, compared with 37½ per cent paid last year.

TRANSFER TO GENERAL RESERVE

It is also proposed to transfer £80,000 to general reserve, making the total of that reserve £405,448, a figure which is not far short of the nominal amount of the issued capital of the company and considerably in excess of the issued ordinary capital, a fact, perhaps, worthy of note, and to carry forward £49,991.

To meet any possible reductions in stock values a sum of £28,000 was reserved in our accounts for the year ended June 30, 1952. The stock position now appears to have reached a period of greater stability and such losses as we did suffer through falls in stock values were met out of current revenue. It is, therefore, right and proper that part of the above reserve, which is now considered to be no longer required, amounting to £24,000, should be brought back to the credit of profit and loss account.

The financial position of the company and our subsidiary company, Containers, Limited, remains very strong. The current assets of the group, including bank balances of £706,532 and tax reserve certificates of £300,000, amount to £1,668,582, against current liabilities of £539,782. The fixed assets, which stand in the books at £365,810, are, of course, worth many times this figure.

CONTAINERS, LIMITED

Our subsidiary company, Containers, Limited, has also had a successful year. It has been possible to release from the reserve for future possible falls in the value of stock the sum of £77,000, now considered to be no longer required. The plant is working to full capacity and the order books are in a very satisfactory state, a remark which also applies to the parent company.

In conclusion, I would like to take the opportunity of thanking my co-directors, the staff, and all our employees for their loyal co-operation during the difficult year through which we have passed. Their united efforts have made it possible to achieve the satisfactory result now before you.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said: As you have noticed in my statement, it is with deep regret that I have to inform you of the death last June of two of my late friends and colleagues; Mr Digby Cropper, who was associated with this company for a great many years and who was a director until a few years ago when he retired. He retained his position on the board of our subsidiary company, Containers, Limited, up to the time of his death. Also Mr C. Priestley Forster, who was our secretary for many years and was also a director during the latter years of his life.

I wish to pay tribute to these two men whose loyalty and endeavour I have appreciated and valued so much. Their loss is keenly felt by us all.

The Acting Secretary (Mr E. G. Hadcock) having read the notice convening the meeting and the auditors' report,

The Chairman continued: Ladies and Gentlemen,—As the report and accounts have been in your hands for the time required by the Companies Act, we will, with your permission, take them as read. (Agreed.)

At our meeting last year I mentioned that we were just emerging from a trade recession and that although buyers were returning to the market we could not expect a profit figure as good as that year or the previous year which were both abnormal, due to most unusual trading conditions. The events of the year under review have borne this out. We have passed through a year of falling prices, both for raw materials and our finished products, coupled with intense competition and increased wages. The productive costs have, however, been kept within bounds by the

machines and improved methods of production.

TRADING CONDITIONS MORE STABLE

Though I would be the last to claim that we have come through the vicissitudes of the past year unscathed, I feel sure you will agree, from the figures you have had in your possession for some time now, that we have weathered the storm reasonably well, and I am glad to be able to tell you that we have now reached a stage where trading conditions are more stable and prices steadier.

In the past I have frequently referred to the excessive burden of taxation that our companies have to bear. The Chancellor in his wisdom reduced this burden slightly in the past year, with the result that the charge for taxation in the current year is not quite so high as previously, and our profit and loss account also benefits by the amounts over-provided in previous years. Taxation is, however, still at far too high a level if industry is to expand and re-equip itself on modern lines.

I am glad to be able to inform you that at long last our repeated applications for a licence to extend the factory buildings of Containers, Limited, have met with success, and that a further extension is at this moment being added, which will help our production considerably.

In my statement I drew your attention to the strong financial position of our companies, and once again I should like to repeat that the fixed assets of the group are shown very considerably below their market value. Also the reserves, excluding that made for future income tax, have increased by no less than £187,000.

I now propose: "That the report of the directors and the accounts of the company for the year ended June 30, 1953, be, and they are hereby, approved and adopted; that a final dividend of 30 per cent, less income tax, be paid to ordinary shareholders registered at the date of this meeting; that £80,000 be transferred to general reserve; and that £49,991, the balance of the profit and loss account, be carried forward.

Mr S. W. Butters (assistant managing director) seconded the resolution, and it was carried unanimously.

The retiring directors (Mr J. R. Henry, OBE, and Mr H. V. Dove) were re-elected, and the fee of the auditors (Messrs Deloitte, Plender, Griffiths and Co.) was duly fixed.

TRIBUTE TO CHAIRMAN, DIRECTORS AND STAFF

Mr F. E. Armstrong, in proposing a cordial vote of thanks to the chairman, directors and staff, referred to the strong position of the company, with its consolidated balance sheet showing liquid assets of one and a half million pounds, reserves far in excess of the issued capital, no item for goodwill, no bank overdraft, fixed assets written down to almost a ludicrous figure, and £700,000 in cash and

to thank those who laid the foundation of the business, and amongst those early planners was the present chairman, who joined the board during the first world war and had thrown himself single-mindedly into the task of building the company up so that it should take its place in the forefront of efficient and well-run industrial companies, and he thought shareholders would all agree that he had succeeded, particularly in latter years in the face of severe competition and savage taxation. He would, therefore, like to propose a special vote of thanks to the chairman.

Mr J. E. Osgood seconded the resolution, and it was carried unanimously.

The chairman, in reply, said he was very pleased that the resolution included all the directors and all the staff, including the work-people, who had done very good work during the year. He hoped they would have another successful year—there was no earthly reason why they should not—but he could not say anything beyond that.

WM. CORY AND SON, LIMITED

THE HON. F. A. LEATHERS' STATEMENT

The Hon. F. A. Leathers presided at the fifty-seventh annual general meeting of Wm. Cory and Son, Limited, held on August 27th at Cory Buildings, Fenchurch Street, E.C.3.

The following is an extract from his circulated statement:

A year ago I recorded indications of a recession in trade which had already begun to reverse the upward trend of previous years. This depressing influence has made itself felt during the whole of the period now under review.

Our coal departments have experienced a falling off in demand. The natural corollary of this has been a lessened demand upon our discharging and lighterage facilities on the Thames and Medway.

Your company's fleet has traded at an enhanced profit. Two new motor vessels, *Corbrae* and *Corburn*, were added to the fleet during the year. The s.s. *Corstar* has been sold at a satisfactory price.

The oil side of your company's business has had serious problems to overcome, due to the reorientation of world supplies of petroleum products, but with new sources of supply becoming available it is now possible to look forward with greater confidence. We are discussing with Shell-Mex and B.P. Limited developments which would identify us more closely with the physical distribution of petroleum products in the United Kingdom.

Exports of coal from this country during the year have shown a substantial increase, in which we have fully shared, but this has been more than offset by reduced tonnage from the United States of America to Europe.

Our associated company in Northern Ireland, John Kelly, Limited, in which we are partners with the Powell Duffryn Group, are partners with that same impact of had to contend with that same impact of trade conditions to which I have already referred. Having regard to this the results can be considered as satisfactory.

I ventured to say last year that we could not look forward to any improvement in the transport difficulties in the Union of South Africa. Unfortunately, my forecast has been proved correct to an extent even greater than was feared. In South Africa, as in the home country, we have our programme of replacements and renewals designed to maintain the earning capacity of the organisation.

FURNESS, WITHY & COMPANY

PROBLEM OF HIGH REPLACEMENT COSTS

SIR ERNEST H. MURRANT'S STATEMENT

The sixty-second annual general meeting of Furness, Withy & Company, Limited, will be held at Furness House, Leadenhall Street, London, E.C.3, on September 23rd.

The following is an extract from the statement by the chairman, Sir Ernest H. Murrant, KCMG, MBE, which has been circulated with the report and accounts:

The accounts for the year ended April 30, 1953, are of a more sombre hue than the peak figures of the previous year, but the colours are brighter if they are viewed in relation to 1951, which was considered to be a very satisfactory year.

The consolidated balance sheet reveals clearly the strength of the group as a whole. The outstanding items are capital and revenue reserves and profit and loss balances £20 million (an increase of £2 million); bills payable (secured) in respect of new tonnage, which a year ago figured at £685,500 have disappeared from the present accounts, and the taxation equalisation account is increased to £4,647,180.

Fixed assets total £23 million odd, and current assets (including investments £8 million and cash balances, Treasury bills, tax reserve certificates nearly £10 million) total another £23 million.

The principal note on the consolidated balance sheet is the reference to the estimated balance of capital expenditure for new tonnage £12,454,735 which represents the unpaid balance of the cost, estimated at April 30th, of twelve freight ships and the Shaw Savill & Albion Company's passenger ship for the New Zealand trade, to which preliminary reference was made in my statement last year.

PROBLEM OF REPLACEMENT

Three ships were added to the fleet during the year, and two were disposed of. This illustrates the continuing process, common to the shipping industry, of replacement. It is not out of place to draw attention, by quoting figures, to the enormous effort that has been, and is being, made to maintain our tonnage and overtake the replacement arrears that accumulated during the war years when ship-owners were not permitted to build merchant tonnage to meet their special requirements. I need only go back four years to illustrate the nature and the extent of the problem so far as it concerns our own group. In the 1949-50 balance sheet the estimated cost of new tonnage then contracted for was £4,260,158; in the following year it was £5,106,177; then £6,356,240, and now in 1953 the figure is £12,454,735. This liability will fall due to be met progressively as the new ships are delivered between now and 1955-56, and the sources from which the liability must be covered are from depreciation earned and set aside, by other earnings after being taxed, and to a very small extent by what remains from the scrap value of ships sold at the end of their economic life after provision has been made for balancing charges. The consolidated balance sheet shows the extent to which we have accumulated such resources, but we are now rapidly using up and exhausting those accumulations with dwindling prospects of adding thereto whilst taxation remains at its present level.

It is not to be supposed that we are unconcerned at the continuing high and increasing cost of new building. On the contrary

we are alarmed at the serious nature of increases over original estimated costs which have been notified to us by our shipbuilding friends. It will be recalled that some time ago, and under pressure from owners, various shipbuilders made a serious effort to revert to the normal practice of quoting fixed prices, but the instability of the cost of materials, and labour, coupled with the uncertainty of production results, caused the effort to be a very expensive one to them. In consequence shipowners are now again required to run all the hazards of the instability of costs during a period of three or four years between placing a contract and obtaining delivery of a new ship. The position is most unsatisfactory and the only remedy appears to be for shipowners to call a halt in ordering new ships except for bare necessities. It should be noted in passing that both Germany and Japan have re-entered the international shipbuilding field at very competitive prices.

THE YEAR'S RESULTS

It will be observed from the consolidated profit and loss account that the total net revenue from all sources and before providing for depreciation and taxation, was £5,701,372. The provision for depreciation of fixed assets requires £2,046,585, and taxation (including the allocation to taxation equalisation account) requires £1,766,635.

The Board's recommendation is that there should be distributed to ordinary stockholders £396,000 in the form of 10 per cent dividend and 2 per cent bonus, both less income tax. Because of the lower rate of income tax deduction this represents a slightly larger net distribution than last year.

During the past year we have experienced many disappointments and aggravations. In general, freight markets have shown a steady decline both in rates and in volume of business; costs have continued to rise, notably in the case of oil fuel, and in other directions labour disputes have involved long and costly delays.

TAXATION

So far as concerns Governmental influences on commercial trading, there is today a greater measure of freedom from controls than at any time since the commencement of the war in 1939. However, we continue to feel that notwithstanding recent welcome reliefs, the burden of taxation lies too heavily on industry, and if one is permitted to express an unbiased opinion from a shipowner's point of view, it is that it lies particularly and unsatisfactorily heavily upon our own industry.

The extent to which our resources have been drained by taxation is emphasised by the fact that in the past five years' accounts an amount approximately equal to the whole of our issued preference and ordinary share capital has been provided to meet current United Kingdom taxation.

In my statement a year ago I warned stockholders that they should be prepared for the probability that the profit and loss statement now before us would reflect a reduced level of earnings. Results have justified that warning, and the immediate outlook regarding both rates of freight and volume of business, coupled with operating costs remaining at a high level, is today no more reassuring than it was a year ago.

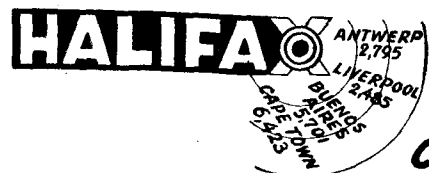


Ask the Chief Typist

Experience has taught the chief typist to value a typewriter for qualities that may not be instantly discernible. Take the new Imperial. It's a quick, quiet and thoroughly efficient typewriter, but the chief typist will tell you that it's much more than that. Suppose, for instance, that a long and complicated balance sheet is being typed and an urgent letter is required. The long carriage, complete with balance sheet, can instantly be removed from the machine, the letter typed, and the balance sheet completed later. And that's only one of the many advantages made possible by the exclusive Imperial feature of interchangeable carriage, platen roller and type-unit.

Imperial

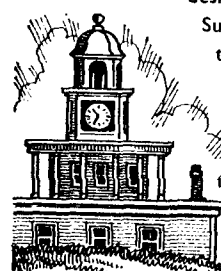
IMPERIAL TYPEWRITER COMPANY LIMITED • LEICESTER
CNCIS



**CANADA'S
OCEAN
GATEWAY
TO THE WORLD!**

NATURALLY enough, industrialists seeking new locations for expansion prefer places that can offer them building sites and export facilities equal to or superior to those which their home neighbourhood provides. Halifax can give them what they want—and more!

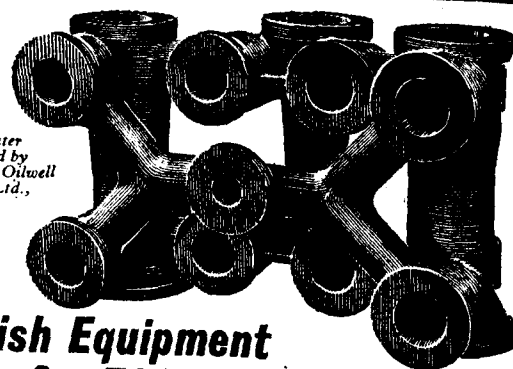
With the shortest sea access to major British ports and the expanding South African and South American markets, Halifax is the ideal location for industries designed to cater to those areas.



Successful and forward-looking industrialists in England are invited to investigate further and take advantage of the outstanding facilities offered by Canada's greatest Atlantic port. They will find wider horizons in the stable economy of this young and vigorous country. For further information write:

**MAYOR OF HALIFAX
CITY HALL • HALIFAX, CANADA**

This cast steel water end, manufactured by David Brown for Oilwell Engineering Co. Ltd., weighs 3 tons.



British Equipment for 700-mile oil pipe-line

Until quite recently the supplying of highly specialised castings for the world's oilfields and refineries was confined to the United States. Aware that no British company made this equipment, the David Brown Organisation saw its opportunity, and took it. The exceptionally advanced techniques and high degree of skill of the David Brown foundries were concentrated upon entering this hitherto exclusive market. The result of this aggressive attitude towards foreign business is exemplified in the David Brown contribution to the Iraq Petroleum Company's new 30-inch pipeline, which will run 700 miles in the Lebanon. For this construction, David Brown supplied a quantity of castings for 16-inch oil pipeline valves—the largest ever made outside the United States. Today, David Brown foundries devote one-third of their entire output of alloy steel to the manufacture of specialised components markets for Britain. In doing so, they are winning new dollar

THE DAVID BROWN COMPANIES
An alliance of engineering specialists in gearing, steel & bronze castings, automobiles, and agricultural tractors & machinery.

DAVID BROWN & SONS (HULL) LTD.
THE DAVID BROWN FOUNDRIES COMPANY
DAVID BROWN TRACTORS (ENGINEERING) LTD.
THE DAVID BROWN TOOL COMPANY
DAVID BROWN TRACTORS (KIRK) LTD.
DAVID BROWN GEARS (LONDON) LTD.
THE CONVENTRY GEAR COMPANY
DAVID BROWN MACHINE TOOLS LTD.

THE KEIGHTLEY GEAR COMPANY
DAVID BROWN JACKSON LTD.
LAGONDA LTD.
ANTON MARTIN LTD.
DAVID BROWN & SONS S.A. (PTY.) LTD.
DAVID BROWN
PRECISION EQUIPMENT (PTY.) LTD.
DAVID BROWN (CANADA) LTD.

Sole selling agent in the U.K.: THE DAVID BROWN CORPORATION (SALES) LIMITED
Head Office: 96/97 Piccadilly, London, W.1



new opportunities in the greatest
of all National Trade Fairs

Bookings are now open for the 1954 BIF and—this year exhibitors who apply early will be able to choose the site they prefer.

More—the earlier you book the surer you are of getting into the advance catalogues; world-wide publicity to 25,000 business men before they travel to Britain.

Apply now to your Regional Office of the Board of Trade for space at the London sections of the Fair and for full information about exhibiting. If you have not exhibited before, they can tell you what the Fair can now offer to your particular business. For space in the Engineering and Hardware Section at Castle Bromwich apply, Chamber of Commerce, 95 New St., Birmingham.

The BIF of 1954, profiting by the experience of 32 previous Fairs, will be even better organised to show British goods to the world.

It will again provide contacts, inquiries, and orders—unobtainable in any other way—for every British industry represented.

BIF MEANS BUSINESS

Northern Region: Board of Trade,
Clarendon House, Clayton St. West, Newcastle-on-Tyne, 1

East and West Ridings Region:
Board of Trade, Pearl Chambers, East Parade, Leeds, 1

North Midland Region: Board of Trade,
Government Buildings, Chalfont Drive, Nottingham

Eastern Region: Board of Trade,
Block C. Government Buildings, Brooklands Ave., Cambridge

London & South Eastern Region: Board of Trade,
Cromwell House, Dean Stanley Street, London, S.W.1

Southern Region: Board of Trade,
Marlborough House, Parkside Rd., Reading, Berkshire

South Western Region:
Board of Trade, 37 Julian Rd., Sneyd Park, Bristol, 9

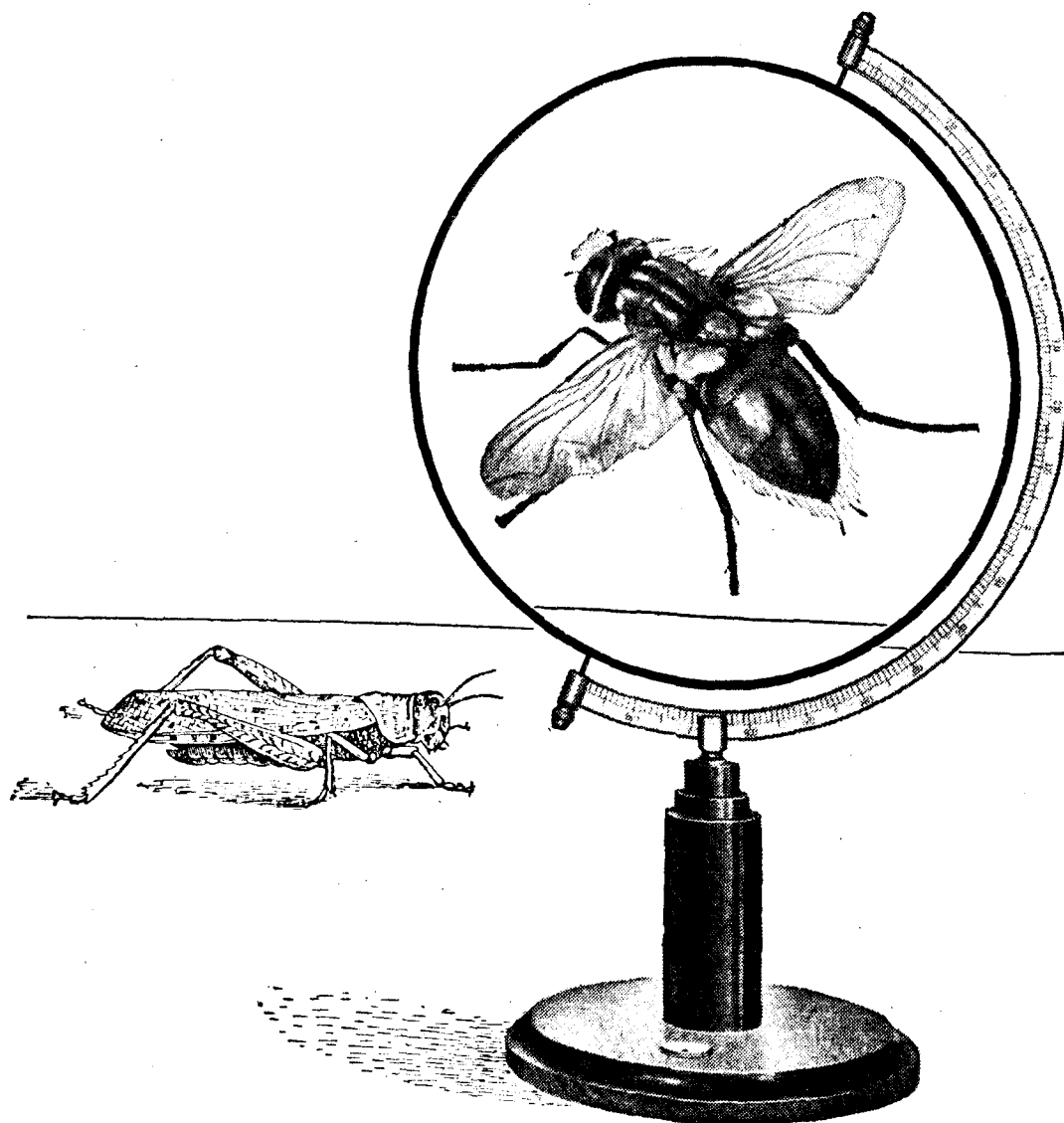
Wales: Board of Trade Office for Wales,
Government Buildings, Gabaifa, Cardiff

Midland Region: Board of Trade,
C.M.L. Building, Great Charles Street, Birmingham, 3

North Western Region:
Board of Trade, 76 Newton Street, Manchester, 1

Scotland: Board of Trade Office for Scotland,
95 Bothwell Street, Glasgow, C.2

Northern Ireland: Ministry of Commerce,
Chichester House, 64 Chichester Street, Belfast



Advance in insecticides...

ALDRIN and DIELDRIN are two new insecticides, at present little known in this country. But in many parts of the world—especially in the U.S.A., in the cotton fields, and in areas of locust plague—they have established a new degree of protection in the eternal war against insect pests. ALDRIN is a powerful new weapon against Wireworm, Leatherjacket and many other pests of the soil. DIELDRIN is similarly effective against Ants, Flies, both agricultural and domestic, and many other foliage and industrial insects. Thanks to Shell enterprise, these two invaluable new materials will be available in Britain in the near future.



Shell Chemicals

Shell Chemicals Limited, Norman House, 105-109 Strand, London, W.C.2
(DISTRIBUTORS)

The Economist

FOUNDED 1843

SEPTEMBER 12, 1953

ONE SHILLING

A New Germany	677
Marking Time in Cabinet	679
Handling China	680
Vertical or Horizontal Living?	682

NOTES OF THE WEEK

Caution, or Moderation?; Labour Cries for Peace; Trieste Deadlocked; M. Laniel on a Tightrope; No New Deal for North Africa; Inquiry for Electricians; Water Under Fire; How to Stimulate Saving; Bulganin's Conscripts; A Strasbourg for Nato?; Trading Turks; Broadcasting Finance; Education in Inflation; Mr Strauss Quells a Mutiny; New Light on "Germ War"; Prevention of Poisoning. 684

BOOKS AND PUBLICATIONS	691
----------------------------------	-----

AMERICAN SURVEY

Vulnerable America	697
TV Goes to the Ball Game	698
Mr Vinson's Successor; Expansion Under Review; Hot Work for McCarthy; Vanishing Gap; Flooding Into School; Fitting Insurance to the Car.	

THE WORLD OVERSEAS

Report on Europe	702
The Paradox of Pella; Soviet Economy After Stalin—II; Storm and Calm in Brazil; Verdicts on Adenauer's Victory; Change of Plan in Rumania.	

THE BUSINESS WORLD

Britain's Démarche at Gatt.	713
A Yardstick for Investors	715

BUSINESS NOTES

EPU and Convertibility; Discretion at the Fund; World Bank and Planned Investment; Finance for Aircraft Exports; Wasted Energy; Confidence in Film Production?; Australia Cuts its Taxes; Selling Aircraft to Lufthansa; Copper Recessional; Aid for Trade; Stability in Cotton Prices; Records from Pye; Freedom for Softwood?; More or Fancier Shoes? 717

COMPANY NOTES AND SECURITY

PRICES	728
STATISTICS	731

Achievement in the Air

PAGE 741

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

A New Germany

THE triumph of Dr Adenauer in the Federal German elections is an event to which the British people and their leaders have given a sincere welcome. It removes any uncertainty about the strength of Dr Adenauer's hold on the German electorate and so decisively establishes him for the next four years that there is some danger of over emphasising the advantages of a Germany under firm Christian Democratic leadership and of giving less attention to the problems of Germany's resurgent political strength. But it must still be said that this is a result most satisfactory for the Western World. The electors in Western Germany have unmistakably rejected extremists both of the right and of the left, and have turned solidly towards the pro-western Christian Democratic Party. Not only in its foreign policy, but also in its efforts to smooth out acute internal differences between employers and labour, the party stands for steady progress and moderation. Even the charge that it is predominantly Catholic will have less force in future, for many Protestant areas of North Germany have swung in its favour. Moreover, the smaller parties of Dr Adenauer's coalition have also lost seats to the centre, and the pattern of a two-party system is thus beginning to emerge—a development most satisfactory in itself, for the existence of a multiplicity of small warring parties would always remind doubtful German democrats of the days of the Weimar republic, and is fatal to the efficient working of parliamentary government. As it is, the Christian Democratic Party, with the help of its ally, the *Centrum*, now holds just over half the total seats in the new *Bundestag*; on the other hand, the Social Democratic Party is still influential enough to feel that it may one day have a chance to win the electorate, so that a lively opposition will confront an effective government. The Social Democrats did not retain the support that they attracted during the peak of their campaign against German rearmament, but they still hold nearly a third of the seats. Nothing but good can come of the existence of a strong democratic opposition, particularly if Herr Ollenhauer can agree on the main lines of foreign policy with Dr Adenauer, and continue to fight the government on behalf of the German underdog.

When the motives that led the electorate to sweep Dr Adenauer to victory are examined, the picture is less uniformly encouraging. On the credit side, it can be said with certainty that the Germans voted for the present government because it has led them to their present prosperity and because it offers them stability. The Germans are still acutely conscious of their sufferings in the bleak years following defeat, and are fully aware of the progress they have made under the anti-socialist system of Dr Adenauer's government. They are correspondingly afraid of any experiment that might upset this hard-won recovery. Furthermore, the Germans are respecters of authority and tend to vote for the government, not, as in other lands, against it. By the same token, the neo-Nazis and nationalist groups suffered

from the general belief that this is democracy's day, seen from the wide viewpoint of the historian. Germany is no Oxford. It is the home of lost wars, but not of lost causes. Neo-Nazism is at least temporarily lost, and Communism has for years past been out of the running in Western Germany. The Communists are now without any seats in the new *Bundestag*, and their election campaign served only to take votes from the Social Democrats.

But the disquieting fact is that when Germans voted for the Christian Democrats they were, above all, voting for Dr Adenauer personally. The election result cannot be taken as conclusive evidence that the Germans are now convinced democrats. On the contrary, it shows how keenly they still follow a strong national leader, choosing a man before party or policy. Dr Adenauer had already achieved the status of leader through his success in establishing Germany's international position, and his party managers ran their election campaign on the strength of his personal prestige. The result surpassed their greatest hopes. Now it is clear that two dangers face the triumphant Chancellor; he will have to resist the temptation of *hubris* in a country that asks for strength from its leaders, and he must guard against a tendency in his own ranks to ape some of the dictatorial practices of the Hitlerite era. For the Christian Democrats are by no means free from undesirable elements, who might conceivably gain the upper hand in future. And who, when Dr Adenauer comes to retire from the stage, is to lead his party along the road he has chosen?

For Germany's neighbours, the outstanding fact of last Sunday's elections is that Dr Adenauer is established as the most powerful statesman on the Continent. The disparity between his position and that of the politicians who temporarily govern France and Italy is startling. So, too, is the contrast between the German vote that eliminated the Communists and the Communist successes in the Italian elections; or between the stable labour conditions in Germany and the strikes in France. All the portents suggest that for some time to come Western Europe will be led by the German nation; the awkward question for France is no longer whether it can re-establish its lead in the European community, but whether to co-operate with Germany. Given his present position of power, Dr Adenauer will not be likely to tolerate tutelage in internal German affairs, and he will give increasingly forceful expression to the German view on European defence and economic collaboration.

There are overwhelming reasons, none the less, why Europe should extract the greatest possible benefit from Dr Adenauer's victory. One is that he is securely in power for the next four years, and there is no danger that concessions granted to him will be misused by a successor within that time. He not only has his small absolute majority, but can even gain the two-thirds majority needed to make changes in the constitution if he secures support from the Refugee Party. This

means that the treaties setting up the European Defence Community and ending the occupation regime will probably pass their final stage in Germany. It also means that the Bonn government will be able to press further towards setting up a political federation and a customs union in Western Europe.

Dr Adenauer, therefore, has great power and great opportunities. But he will not hold power for ever. The strongest reason why Germany's neighbours should do everything possible to complete his work lies in his seventy-seven years. Though he is hale and vigorous, it is beyond the bounds of practical wisdom to count on his continuing for many more years. It may be that the ranks of the Christian Democrats will throw up another leader to take his place, but this is not a chance on which to gamble. Only the old generation that grew up before 1914, and only the western-looking Catholic part of this generation is likely to produce a politician of Dr Adenauer's outlook, and this group is dwindling in numbers. The middle-aged men whose minds were formed in the Hitlerite era, and the Protestants who look towards Eastern Germany and are traditionally bound to a national state, are not very likely to produce a European leader who would tie Germany so closely to the western community.

The time and the man are therefore at hand for forming a Germany that will not prove a menace to the world again. But the present constellation will never recur. If Western Germany's prosperity were to turn into a slump, the extremists would have their chance again; if the European army does not take practical shape, Germany may secure a national army with the aid of America, and so fall under the influence of the old-time militarists; and if the goal of political and economic federation does not offer the younger Germans an ideal and an opportunity for working off their dynamic energies, the drive to secure Germany's lost lands in the east will grow dangerously. Dr Adenauer's victory provides great opportunities for achieving the collaboration to which Western Europe aspired when Western Germany was weak and in turmoil. It is now strong and stable. The timid will be tempted to take fright at Western Germany's strength. Before they are led into silly mistakes, let them ask themselves whether Germany's growing power—which is a fact—is better deployed on the side of European unity or better left to develop in nationalist ways of its own.

Achievement in the Air

A Survey of British Aircraft and
Their Makers

Page 741

Marking Time in Cabinet.

THE ministerial changes announced a week ago are disappointing. Criticism should properly be tempered, since they are not necessarily the end of the story as it may unfold even before the reassembly of Parliament. But that is speculation, and there is in any event no virtue in beginning with a mere nibble at the cherry of Government reconstruction. The three resignations—of Lord Leathers, Sir Arthur Salter and Brigadier Mackeson—in themselves provided scope for a considerable reshaping of the Government to meet the altered tasks that now require its attention. Instead, the Prime Minister has laconically confined himself almost to the bare minimum of consequent changes.

There are several grounds for regret. Quite apart from all questions of policy, there were strong reasons—both negative and positive—for making extensive changes in the personnel of the Government. It would have been beyond nature if all the appointments made nearly two years ago had turned out to be uniformly successful. Sir Winston was choosing his men from a party that had not held peacetime office for twelve years, and a party moreover that in character and policy had in the interval been radically transformed. It is never easy for a Prime Minister to correct the misfits and disappointments, but Sir Winston's task could be very much harder. He has the benefit of a pretty general agreement about which ministers have fallen below the hopes put in them. What is even more important, there is also general agreement—extending, privately, to the Opposition—both that certain ministers have been remarkably successful and that the Conservative ranks also contain, in the lower offices of government and on the backbenches, an unusual wealth of talented younger men.

This is, indeed, one of the leading phenomena of British politics in the nineteen fifties. The way to turn it to account, and to encourage future recruits of equal quality, is to give early opportunities to those with ability. At a time when inflation and the modern burden of parliamentary business have combined to make a political career so much less attractive, there are few more important services of long-term value that a Prime Minister can perform for his own party and for the country as a whole.

Hitherto, patience in this matter has been reasonable. It was right that Sir Winston should first try out a relatively experienced team rather than rush into experiments. But by now there is plenty of evidence on which to make a better assessment of talents than was possible in 1951; younger men can be promoted without taking undue risks. Yet the Prime Minister has stuck—indeed, in some respects he has retreated—to conventional paths. The changes last week included only one imaginative innovation. This is the creation of the new post of Minister of State at the Board of Trade, and the appointment to it of Mr Heathcoat-

Amory. The Secretary for Overseas Trade has of late been no more than a second parliamentary secretary at the Board of Trade, providing little real relief to the burden of decisions falling on the President. The higher office of Minister of State, which now replaces the secretaryship, is a proper recognition of the importance of export promotion among the department's activities; it should also mean that at the political level, as well as the official, the Government will give more thought to the permanent problems of trade policy than the Chancellor of the Exchequer and the President of the Board of Trade have time for. For these tasks, the choice of Mr Heathcoat-Amory deserves generous praise. He combines administrative ability and business experience with the non-partisan temperament that particularly fits him to deal in the House of Commons with issues outside party controversy.

★

This appointment shines, however, as an isolated example of what the Prime Minister might be doing on a far larger scale. For the rest, what he has in fact done is to bring his previous Cabinet innovation, the "overlords" system, to an end. Lord Leathers was appointed Secretary of State to co-ordinate two departments—Fuel and Transport—while Lord Woolton, as Lord President, was to be particularly responsible for general policy affecting the Ministries of both Food and Agriculture. It is now officially recognised that Lord Woolton, through remaining in the Cabinet, has dropped this co-ordinating function, and instead the two ministers concerned are promoted to membership of the Cabinet. Somewhat illogically, there is no corresponding rise in the status of the Ministers of Fuel and of Transport, though Lord Leathers's post vanishes with him. But for good measure promotion of the Minister of Education to Cabinet membership is thrown in. This means that the membership of the Cabinet rises to nineteen, which is too many for effective general discussions on policy.

Politically, the Prime Minister's reasons for abandoning the overlords are strong: they had become laughing-stocks. The cynicism of Sir Winston's letter to Lord Leathers is hard, nevertheless, to defend. He dismisses the dignified office of a Secretary of State as one created to suit Lord Leathers's particular talents, and comments that "the justification for this special post will disappear when your services are no longer available." It is not long since the value of co-ordinating ministers was argued in very different terms by members of the Government. Those arguments had, and retain, considerable force. The departure of the overlords as co-ordinators merely leaves a very difficult problem of modern government unsolved. The essence of the problem is that if the departments are

not to be inefficient and bureaucratic monsters, there must be many more of them than there can be ministers in a Cabinet that is small enough to be a good policy-making body. An hierarchical structure of committees and sub-committees, to which ministers outside the Cabinet belong, by no means entirely overcomes the difficulty. An important additional part might be played by a few senior ministers without day-to-day departmental duties of their own, but each of whom specialises in a group of subjects, acts as a chairman of Cabinet committees and as a spokesman for the Government, and is able to give the thought to long-term policy for which a departmental minister rarely has time.

In theory, the overlords could have represented a useful experiment in this direction. In fact they have been nothing of the kind, in part for purely personal reasons and in part because Sir Winston's Cabinet was in any event unbalanced by the inclusion of too many members of the House of Lords. Simply to abandon the overlords is to give the impression that the experiment has failed when in truth it has not really been tried. Moreover, this is being done just at the moment when the problems of co-ordination in government policy are particularly acute. The conflict between agricultural protectionism and the nation's interest in more and cheaper food supplies has already got the Government into great difficulty and must somehow be resolved in the near future. Co-ordination of the fuel industries is also a complex issue of increasing political importance, on which clear Government decisions are badly needed. It is difficult to be con-

fident that matters of this kind will be best handled by returning to a large Cabinet of prewar style.

In this retreat from what might have been an administrative innovation, as in the failure to bring forward enough younger men, the Government gives a regrettable impression that it is now marking time rather than pressing on with the considerable achievements that have been put to its credit since the summer of 1952. One may recognise, fortunately, that in this respect personnel and the structure of Government are not decisive. Policy may be got right in spite of them. By the time Parliament has reassembled, and when the Queen's Speech for the new session has been read, the Government may be presenting a very different face to the world. Indeed, more radical changes in its composition may have been made. It is still possible that a thorough reconstruction awaits a final report next month on Mr Eden's health. But, however difficult the circumstances, it is not any the less regrettable that the Government should give even a qualified impression of hesitancy or inertia.

The measures that the country's recovery still requires are extensive, radical, politically delicate, and urgent. While appearances may be deceptive, there are no indications that many of these measures are in active preparation, and they will not be helped forward by continuing doubts about how long ministers will hold their present posts. There ought not to be more than another month's delay before the Prime Minister's settled intentions, both for the structure of the ministry and for its policy, are made clear.

Handling China

THE divergence between British and American policies towards China is at present the most serious gap in the political defences of the free world. Because in this matter the British and American points of view are so far apart, there is an obvious opportunity for Communist diplomacy to drive in a wedge. The emphasis in recent Soviet statements on the international rights of Communist China suggests that the Soviet government will bring up this question on every possible occasion to accentuate the discord between London and Washington. In this situation nothing is to be gained either by ignoring the current differences, or by indulging in mutual recriminations about the past; the practical problem for statesmanship on both sides of the Atlantic is to explore all possibilities of adjustment and reconciliation.

In its simplest terms the contrast may be stated by saying that America wants a tougher policy towards Communist China than Britain is willing to pursue. It would nevertheless be misleading to put the matter in this way without qualification, for toughness in inter-

national relations is not merely a question of making defiant gestures or grimly refusing to speak to an opponent. Those Americans who suppose that British policy towards China is one of appeasement should remember that it was Sir Winston Churchill who, in the face of strong American opposition, insisted on the return of British troops to Hongkong on the surrender of Japan, and it cannot be supposed that he would have a stronger reason, ideological or otherwise, for handing over a piece of British territory to Mao Tse-tung in 1953 than for handing it over to Chiang Kai-shek in 1945. Positive ideological sympathies for the Chinese Communists certainly exist on the left of politics in this country—just as they do also, though now decidedly *sotto voce*, in America—but even the most passionately anti-Communist American can hardly imagine that the policy of a British Conservative Government is swayed by enthusiasm for endeavours to "build socialism" in China. Nor does it make sense to ascribe the attitude of the present British Cabinet to the influence of the Hongkong merchants. As a

country exceptionally dependent on foreign trade, Britain must always take account of commercial interests in the framing of foreign policy, but that the leaders of Britain to-day do not normally take decisions in world affairs for sectional interests or short-term profits should be clear enough to any fair-minded American observer from the political records of Sir Winston Churchill and Mr Eden.

Britain, indeed, is no less concerned than America to contain Communism in the Far East and to restrain the new regime in China from aggressive expansion. In relation to South-East Asia, Britain has even more grounds for concern than America, for large numbers of Chinese are under British administration in Hongkong and Malaya and these territories are far more accessible to Chinese Communist attack than are the Philippines or Okinawa. The difference of opinion, therefore, is about the methods to be adopted for resistance, not about the desirability of resisting.

Americans, whose awareness of the malevolence of the Peking regime has been sharpened by the experience of a war in which they have had thirty-five times as many soldiers killed as the British, are inclined to take up an attitude of uncompromising antagonism; they claim that with such a regime only toughness pays. The British criticism of this line is that in fact it is not tough at all; real toughness might or might not pay, but in any case it is no longer being advocated. There was a case for the MacArthur policy towards China, but it was rejected by the American Government, not under British pressure but, as General Bradley has made clear in his recently published memoirs, on the advice of the American Chiefs of Staff.

Having decided, rightly or wrongly, not to attempt direct offensive operations against Communist China, the logical sequel was to see whether it might be possible to achieve anything by diplomacy. To refrain from "hitting" China and at the same time to refuse to have any dealings with it is not being tough, but merely getting the worst of both worlds. It appears indeed as if the more extreme current American attitude arises from a kind of repressed MacArthurism. "We did not bomb the Chinese Reds," the argument seems to run, "but we can at least make faces at them from a distance." Unfortunately such manifestations of frustrated enmity do nothing to reduce the power or prestige of a strongly established regime.

The British view is that, however truculent and aggressive the Chinese Communists may be, no harm can be done by according them diplomatic recognition and seating them in the United Nations and that some benefit may accrue by giving them contacts with the world outside the Soviet bloc. It is not necessary to suppose that Mao Tse-tung is going to become a Tito or that the Communist tiger is going to be transformed into a domestic pet by being offered a saucer of milk. But there are considerable possibilities of friction between the policies of Moscow and Peking, and it is certainly not the business of western diplomacy to assist

the Kremlin by excluding Communist China from contact with anyone except the Communist states.

The case with regard to trade is similar. The British Government has already done all that can reasonably be expected of it to prevent strategic goods from reaching Iron Curtain countries, and if the manifold resources of international smuggling have sometimes defeated it, this cannot be blamed on British policy. There is much to be said, however, for a certain flexibility of policy with regard to trade relations especially with Communist China, not as a sacrifice of the defence of the free world to business profits, but as part of a competition for influence.

★

There is no doubt that the countries of the Soviet bloc are quite unable to meet the needs of China's industrialisation on the required scale; already China has had some unpleasant experience of non-fulfilment of promises from its Communist partners, and the new programmes of diversion to consumer goods in both Russia and the satellite states must reduce still further their capacity to supply large quantities of capital goods to China. If the western powers enter this market—exclusive of actual armaments and the stockpiling of war materials—it may be said that they will be strengthening China; but they will also introduce an element of economic interdependence which may exert a pull on China, however much its present rulers may try to avoid such consequences. There is no simple formula to apply in these matters; there must be a careful balancing of pros and cons in any relaxation of restrictions on trade with the Communist world. But at least serious statesmen should get away from the idea that it is a betrayal of the free world every time a motor lorry is sold to a Communist buyer.

On the questions of recognition and trade, Britain is entitled to ask Americans to reconsider views which have come to be held with undue rigidity as dogmas of political belief. There are other issues, however, on which Americans may fairly claim that the British have shown insufficient appreciation of American responsibilities. In British discussion of world affairs, it is too often forgotten that in any armed conflict between Russia and the Nato powers, the northern Pacific would be a theatre of war in which America would confront the enemy virtually alone. Singapore (with Hongkong as an isolated outpost) is really the terminus of the range of British strategic concern; the sea space between North America and Asia is, on the other hand, of the greatest strategic importance to America. For this reason British opinion should be more ready to pay attention to the American point of view on the consolidation of defence in the Far East.

This involves not only the defence of Japan and South Korea, but also the prevention of a Communist conquest of Formosa. America is now definitely unwilling to abandon Formosa, and if it is the British view that Formosa must be given up in order to reach

a settlement with Peking a permanent deadlock between British and American policies may ensue. But it should be quite possible for the diplomats to devise a formula for reserving Formosa from any settlement that can be made. It is not a simple question of intervening in a Chinese civil war; the Chinese Communists, after going to war against the United Nations in Korea, can scarcely claim rights of international law in their favour

against the Chinese Nationalist remnant now under American protection in Formosa. If a fragment is to be separated from the main body of China, it will be very much less of a national disaster than the partitions which the cold war has inflicted on Germany and Korea. There are occasions when peace can be secured only on the basis of the old diplomatic principle of *uti possidetis*—each side to keep what it has.

Vertical or Horizontal Living?

THE year 1953 entertainingly confronts two mutually abhorrent concepts of human dwelling. One is that of Ebenezer Howard: the diffuse and essentially anti-urban Garden City, which at Letchworth is now celebrating a half-century of real but limited success. The other is the concept of Le Corbusier: the compact, highly integrated *Unité d'Habitation*, whose twenty-storey prototype at Marseilles has this summer attracted architects from all over the world, and which has now been described for the British public in a characteristically pugnacious monograph.*

It would be an interesting exercise to trace the respective pedigrees of the horizontal and the vertical ideal. Behind the Garden City lies the village green; behind the *Unité d'Habitation* lie, perhaps, the walled stronghold and the cave-settlement. The village green, merely multiplied by unplanned expansion to urban size, turns from a shapely social entity into an amorphous and soulless mess, greedy of ground, extravagant in its demands alike on communal services and on the travelling time of its inhabitants—the suburb which, proverbially, the Devil made. The fortress similarly multiplied becomes a slum or, at best, a bleak and equally soulless territory. The Garden City is a country-minded attempt to overcome the one set of disadvantages; the scientifically integrated block, the complex of “machines for living in,” is an urban-minded attempt to overcome the other.

In Great Britain the opposing claims of centralisation and dispersal, vertical and horizontal, express themselves in a tug of war between economic and aesthetic reason on the one hand and the obstinate preferences of the common man (and his wife) on the other. The common man and his wife seem to want, ninety-eight times out of a hundred, to live in a horizontal settlement, with a detached or at least semi-detached house of their own and a bit of garden, also their own. Given shops within pram-pushing distance for her and works or office not impossibly remote, by train, bus or bicycle, for him, they are quite willing to forgo those communal amenities—from district heating to day nurseries—which denser concentration could, in theory, bring within their reach.

The common man's employer, however, has views

which are difficult to harmonise with this preference. Other things being equal, he wants his works, or office, sited in or near the middle of things. Unless he sees large economies in prospect, he is rarely willing to hive off to a garden city or new town. The common man's proviso is that his employment be accessible without an unendurable drain on his energies by way of strap-hanging and on his purse by way of fares; with the concentric spread of horizontal settlement, this becomes less and less practical. Meanwhile, the traffic problem at the heart of the magnetic field steadily approaches final deadlock; and the garden city or new town drifts towards the status of one more dormitory suburb, merely more inconveniently remote than the unplanned agglomerations of the past.

★

The magnetic pull of the big industrial and commercial centre has never been fully analysed by economists; nor have sociologists, confronted with the overwhelming public preference for horizontal living, sorted out its reasonable elements from those of prejudice and inertia. One may argue, too, that while the economy of concentration directly benefits the individual firm, the corresponding expenses of urban unwieldiness—from traffic congestion to the cost of treating neuroses under the health service—do not appear in the firm's accounts.

These may be arguments either for a special urban tax, leading businessmen to ask themselves seriously whether the advantages of the big centre are really essential to their particular business; or for an initially large subsidy towards the costs of dispersal, a subsidy tapering off as the new town cumulatively develops its own magnetic pull. But there is no good argument for compulsory migration, either of businesses or of workers. In any event, London and the great provincial conurbations are facts that cannot be planned away within this century; at best, the new towns can make hardly more of a dent in the town-planning problem than did the garden cities so hopefully founded in the nineteen hundreds.

But if the universal garden city is not a particularly desirable Utopia, need one therefore conclude that extreme concentration, Le Corbusier's vertical city, is

the right ideal? Le Corbusier's book is not unanswerably convincing. That it displays the most comically monstrous egotism since Victor Hugo—with whose literary manner, at its most exclamatory and Sinaital, Le Corbusier's has much in common—is irrelevant; so, strictly speaking, are the sample plans of some typical “flats” (really semi-maisonettes). They present, on paper and to an English eye, disqualifying defects. Kitchen units twenty-five feet from the nearest window, children's bedrooms twenty-five feet long by only six feet wide and lit from the narrow end, would be an abomination in Britain, but possibly quite endurable in Mediterranean sunlight.

These are essentially points of detail, modifiable within the vertical convention. The real question is whether life in “a bottle in a bin”—to use Le Corbusier's own metaphor—can fully satisfy the needs of normal family existence or whether it must continue to be regarded as a *pis aller* imposed by the sheer arithmetic of expensive urban acreage and large human numbers.

Certain disadvantages, evidently, are inevitable. No expanse of parkland made available by vertical concentration, no crèche on the eighteenth floor, will make up for the handkerchief of private garden where the children can run in and out at will, without benefit of express lifts. The privileges of opening a back door and calling “tea's ready,” of gathering up a tearful toddler within a few seconds of his tumble at play, of quieting a squabble between rival mud-pie makers without leaving the milk to boil over, may seem trivial to architects; by mothers they are quite rationally to be valued much above communal laundries or even central heating.

Other disadvantages are, perhaps, more conditional and subjective. The big block with its common facilities and services, from lift and corridor-lighting to shopping centre and gymnasium, means a common staff on which—possibly, no doubt, to their much greater comfort—the occupants must depend for innumerable things which, in the terrace house or semi-detached brick-box, they do for themselves. To dismiss the preference for greater self-sufficiency over greater comfort as mere reactionary blindness is a dubious social judgment. Behind this preference there lurks, moreover, a distrust far-fetched, perhaps, in Britain, but on Continental experience all too well-founded: the distrust of the *concierge* who is also a police spy, of the admirable focusing device which the big block provides for the watchful eye of Big Brother. The 98 per cent of British people who prefer houses to flats are rarely, one must suppose, consciously distrustful; they merely feel happier with a front door of their own. But this piece of apparent irrationality may not be entirely unconnected with that sound political instinct which has made Great Britain so unpromising a field for Big Brother.

The debate is not generally conducted on the level of social, psychological and political implications; it is indeed a merit of Le Corbusier's book that he raises it there. On the mundane question of costs he is both

dogmatic and evasive. He claims that communal amenities, far surpassing anything available to the horizontal settlement, can be financed from the saving in construction costs compared with those of villa developments. This runs flatly counter to British experience, which is that even the most economically planned blocks are more expensive to construct than small houses. The vertical-block with amenities included is apt to impose a level of rents far beyond the budget of the hitherto ill-housed masses to whose regeneration it is dedicated; and the *Unité d'Habitation*, already evolving into a settlement of the prosperous middle classes, is no exception. To meet the financial needs of the ordinary worker, vertical living must be stripped of most of its redeeming features, leaving its disadvantages untouched.

★

And yet the brutal arithmetical facts of numbers and acreage remain; it is impossible to dispense with the big block. Financially, high land values near the centre of the magnetic field outweigh the costs of vertical construction; socially, the disadvantages of wider concentric dispersion outweigh those of high density; aesthetically, the erosion of genuine countryside and the monotony of horizontal development outweigh the occasionally inevitable clash of new high building with its traditional setting. Recognition of this necessity does not, fortunately, mean big vertical blocks and nothing else. The typically British compromise is “mixed development”—houses, mostly at fairly high density in terraces, but with some detached and semi-detached for large families; tall blocks of flats, set widely in communal open spaces, for small families and single persons. This can get enough people on to each acre to meet the needs of concentration, can provide a genuine and shapely urban plan, and by its very variety of height gives scope for architectural composition and contrast.

If a good example of this compromise—such as the newest LCC plan, for the hundred-acre development between Wimbledon and Putney—is compared with Le Corbusier's pioneer example of the vertical city, one is disinclined to concede the latter's claim to superiority. Good architecture, vertical or horizontal, can always be effectively contrasted with rank bad architecture. Ingenious and imaginative planning can be contrasted with wasteful and inconvenient rule-of-thumb, and a realistic adaptation to twentieth century needs and technical possibilities with a hidebound adherence to obsolete formulae. But it does not follow, because an architect of genius has chosen to apply his just and delicate eye for humane proportion, his imaginative ingenuity, and his grasp of modern techniques, in the vertical rather than the horizontal style, that the future is with vertical living. It remains what it has always been: a thing not to be sought for itself but part of the price to be paid, preferably by those to whom it is least onerous, for the privilege of existence in a modern urban economy.

* “The Marseilles Block,” by Le Corbusier. *The Harvill Press*. 71 pages. 21s.

Notes of the Week

Caution, or Moderation?

THE Trades Union Congress, which has been meeting this week in the Isle of Man, has notably strengthened the Right and weakened the Left within the Labour movement. On most points of controversy, the TUC gave a definite endorsement to its general council's attempt to hold Labour policy, both industrially and politically, to caution in all things and moderation in most.

So much, at least, is certain. But the more detailed significance of many of the votes is by no means clear. The general council's report on nationalisation, which the congress approved by 3,702,000 votes to 2,640,000, was an argument for moderation. If words in a TUC document mean what they mean elsewhere, it took the TUC off the socialist side of the fence in the general argument about the ownership of industry. It could not turn against the nationalisation measures of 1945-50; it did deploy the arguments against more. In effect the general council said that it was pretty well satisfied, at least so far as ownership is concerned, with the mixed economy as it now stands; and the TUC's arguments against altering the balance very much are arguments that are likely to remain valid for a long time.

This is a moderate's position, politically no doubt nearest to that of the right-wing of the Labour party but certainly also nearer to the left-wing of the Conservative party than to the socialist theory of the Labour Left. But it is not the position that the general council's spokesman, Mr Geddes, defended on Wednesday. He said, in effect, that the TUC was for nationalisation, but it wanted to go cautiously and look very carefully for the best forms of public ownership. This is a reasonable case, and Mr Geddes argued it well, but it represents caution in tactics rather than moderation in principle; and it really cannot be squared with the contents of the TUC report. If Mr Geddes's interpretation were right, the report would have contained a discussion of the various forms of public ownership that have been put forward as alternatives to the familiar 1945-50 variety. In fact, there was no such discussion: the report merely set out arguments for and against public ownership, of some undefined kind, in various industries—and leaned heavily (except for water) against nationalisation.

The upshot is a confusion that faithfully expresses the unions' state of mind: the motives of the General Council's supporters are uncertainly mixed between the caution of Mr Geddes's words and the moderation of the report itself. It is also uncertain how far the 1,750,000 uncast votes represented delegates taking tea and how far they represented (as the Left will claim) a disagreement that the unions did not want to push to the point of defeating the General Council. Nevertheless, three things are certain: only a minority of trade unionists clings to a simple belief in nationalisation for its own sake; that minority has become

smaller, not bigger, in the past twelve months—while the Tories have been denationalising; and, whatever it may eventually decide, the TUC wants nationalisation left almost entirely out of immediate Labour policy. Those are the things that matter for the party conference at Margate in a fortnight's time.

Labour Cries for Peace

ANYTHING to do with the Labour party's internal conflicts is news, but the gesture made last week by Mrs Eirene White, the Labour member for East Flint, has attracted a rather exaggerated attention. Her criticism of Mr Deakin and others is not a new revolt; it rather confirms the ending of one clear stage in the Bevanite revolt. The history of the matter is this. Six years ago, when the Labour party was riven by dispute over Ernest Bevin's foreign policy, Mrs White's moderation and common sense won favour in the eyes of several leaders of the big unions, and their votes carried her on to the party's national executive committee. She was re-elected thereafter with the same backing. But at Morecambe a year ago Mr Arthur Deakin abruptly withdrew from her support the massive bloc vote of the Transport and General Workers' Union. This did not at the time secure Mrs White's defeat, and no public reason for Mr Deakin's action was given. But it was widely taken to mean that Mrs White was not quite sound on the Bevanite issue. There had been occasions when she had voted with Mr Bevan inside the executive; certainly she had not assumed the role, taken on so eagerly by Dr Edith Summerskill, of flaying the Bevanites every time they sat round the executive table.

Mrs White, facing the probability of defeat this year, has withdrawn her candidature and declares this to be a protest "against the exclusive intolerance shown publicly and privately by some of our more prominent leaders." She thereby provoked a growl of anger from Mr Deakin and Sir William Lawther (Sir William even accused Mrs White of the ultimate crime of being a professor's, not a miner's, daughter) and drew a shout of support from Mr Shinwell. Her gesture may be expected to rouse sympathy in the Labour party precisely because the bulk of it is heartily sick of the Bevanite controversy, which has degenerated into a slanging match over stale issues long since settled by events. What is important in it has been merged in the perennial struggle within the party between Left and Right.

Much of the party is content to forget the rest because the Bevanites as a group have been, for the present at least, defeated. They have entirely failed to translate their success at Morecambe a year ago into any comparable

success in the arena where power is exercised, at Westminster, and Mr Bevan himself will go before the party conference this year with much of his glamour (and some of his publicity value) departed. All the Bevanites' speeches and writings have made no deep impact on party policy, while between Mr Bevan and power the figure of Mr Herbert Morrison has again been firmly interposed—and interposed by the union leaders who in the past were among Mr Morrison's foes. The sympathy with Mrs White's protest is largely a measure of the degree to which the rank and file feel that the controversy has been settled, and that it is unnecessary to pay out old scores against those who may not have toed the anti-Bevanite line punctiliously enough.

Yet it is ironical that those who are now calling for peace within the party include some who, a year ago, were calling for more resolute action against the Bevanite "party within a party." Mr Deakin and Sir William Lawther have, indeed, sound grounds of complaint against the anti-Bevanites within the political wing of the Labour movement. The battle against Mr Bevan was left almost entirely to the union leaders. None of the politicians has spoken out so forthrightly or so steadily. Mr Deakin and his colleagues, and not those politicians who think as they do, have had to do virtually all the dirty work in combating Bevanism. If in their irritation they withdraw their support from a relatively obscure, even if a pleasant and able, member of the Parliamentary party, it is hardly a matter for great public outcry.

Trieste Deadlocked

IT may be as true as the Foreign Office asserts that, by not claiming to annex Zone B of Trieste last Sunday and by declaring that he would not use force, Marshal Tito has reduced the immediate tension between his country and Italy. But his speech has nevertheless slammed the door so hard on compromise that direct negotiation no longer looks like a realistic possibility. Indeed, unless something is done to force a solution from the outside, the two countries are now likely to be more completely at loggerheads than ever. That is a situation in which the deepening and spreading of passions may ultimately have untold consequences. And if they do it is primarily Marshal Tito's fault.

His actual proposal on Sunday was that Yugoslavia should incorporate both Zones A and B and that Trieste itself should become an international city. This proposal only reduced the immediate tension because it was so outrageous that it called for no immediate action and indeed left the Italians temporarily speechless—a position from which they are planning to recover; Signor Pella, the prime minister, is to make a further announcement about Trieste this week-end.

What really emerges from the recent renewal of activity in the Trieste dispute is that the hope, so long fostered in London, Washington and Paris, that Italy and Yugoslavia might settle their differences between them, must finally be abandoned. On the Italian side, Signor Pella has evoked, and depends on, right-wing nationalism to a greater extent than his predecessor; this is in tune with the shift of Italian political sentiment towards extremism in general. On the Yugoslav side, Marshal Tito, having apparently given up

even trying to be reasonable, has now committed himself to a position from which it would in any case be difficult to climb down. It now looks therefore as if the only way in which the Trieste dispute could be settled would be through firm pressure either by the western Big Three or by Nato as a whole. It is time that the Atlantic Council took notice of a political problem which critically affects the defence of southern and western Europe.

M. Laniel on a Tightrope

M. LANIEL, the French premier, must look enviously beyond the Rhine. While Dr Adenauer has now been guaranteed four years of tenure of office, M. Laniel is not assured of as many weeks. His precarious coalition has already been shaken by the Moroccan crisis and will find even more room for dissension over EDC when, as now appears, the treaty has to be taken out of cold storage. Yet M. Laniel is not looking so far ahead. For the moment he has enough trouble on the home front in trying to consolidate his position during the uneasy truce between the end of the strikes and the beginning of a new parliamentary session in October. For the workers, the major condition of the truce was the government's promise to reconsider the question of wages. Since a general rise in wages, starting an inflationary spiral, could jeopardise any broader economic plans, the government is attempting to create a climate in which wage claims could be limited to the lowest paid workers.

M. Faure, the finance minister, has hitherto proceeded on two lines. He has launched a campaign against fiscal fraud and a drive to reduce prices of consumer goods. The anti-fraud campaign has confirmed the well-known fact that many Frenchmen avoid the tax collector by exporting their capital and that many others live well beyond their declared income. It remains to be seen how strongly the arm of the law will fall on the culprits and how many will manage to escape it once again. The reduction in prices is to be reached through a combination of tax reliefs and voluntary cuts by traders, with the threat of coercion in the background. Since food accounts for well over half of the French workman's budget (against less than one-third in this country), the government hopes, chiefly through a cut in food prices, to raise real wages by 4 to 5 per cent. Meat prices in Paris shops have, indeed, already gone down, but the public still remains sceptical. The workers have little faith in pledges that depend on the civic sense and benevolence of their butchers.

Aware of the mood of the country and taught a lesson by the strikes, some members of the cabinet are pressing M. Laniel to raise the lowest wages before parliament reassembles. But all these are obviously expedients to avoid a new conflagration. M. Faure is expected to announce next week broader measures to instil life into the French economy; he has already prepared a reduced budget draft for next year. Yet he can no longer afford purely bureaucratic measures. The psychological effects of the present campaign will wear thin if the government does not show a new determination to deal harshly with frauds or reluctant traders, while granting some concessions to the workers.

In this explosive situation, one false step would be enough to deprive M. Laniel's team of the opportunity to put its full plan of reforms into practice.

No New Deal for North Africa

WITH unexpected ease, M. Laniel's government has smoothed over the recent upset in Morocco. Prophets who foretold immediate repercussions in Tunisia have proved wrong; there have been no disturbances even in Morocco; Spanish Moroccan protests have been valid, but not vociferous; in New York, the Arab-Asian bloc's attempt to place the matter on the Security Council's agenda has failed on the ground that the Franco-Moroccan affair is a matter of domestic jurisdiction. Thus all seems plain sailing for M. Bidault, who is said to be ready with a fleet of reforms for Morocco and has just appointed a new Resident General in Tunisia. The autumn ought to hold promise of the "dialogues" on progress towards self-government that Paris likes to imagine itself holding with the Moslem authorities in Tunis and Rabat respectively.

But last week's resignation of M. Mitterand from the Laniel cabinet suggests that there is a debit side to the balance sheet. M. Mitterand is a specialist in the affairs of the French Union. His main thesis, lately expounded in a book on the subject and in a cabinet memorandum on Tunisia and Morocco in particular, is that if France educates young Africans or Asians in its image, it would be wise to recognise their right to a say in their future. He therefore advocates, as the method to be followed when producing reforms, preliminary discussion in mixed commissions of local inhabitants and Frenchmen, of the kind that last year's Pinay government tried and failed to establish in Tunisia.

Three or four formidable groups are in disagreement with him. Marshal Juin heads their ranks. Behind him are ranged the French settlers in North Africa, who prefer reform conceived in Paris and presented, ready made, to the local authorities, and feudal notables of whom El Glaoui, the Pasha of Marrakech, is the prototype, and who are afraid to humour young nationalists for fear of losing authority in the process; the stately but timid Bey of Tunis hovers on the fringe of this class. The cabinet that let M. Mitterand go is to be seen in oddly die-hard company.

Inquiry for Electricians

THE Ministry of Labour has rightly decided that the strike of electricians, though they are few in number, could do a lot of harm and might be prolonged if left to itself. After fruitless talks, lasting far into the night, between the separate parties and the Ministry's conciliation officers, it has decided to refer the dispute to a Court of Inquiry.

This is not arbitration. There are two arbitration tribunals, but the circumstances of this dispute prevent it from being referred to either of them. Arbitration by the Industrial Court requires the consent of both parties, and

the union has refused to agree. Arbitration by the Industrial Disputes Tribunal can be instituted at the request of only one of the parties (and the employers are willing), but it is not used if a strike or lock-out is in progress. Its awards become an implied term of employees' contracts, but in practice the consent of both sides is required if they are to be effective. A Court of Inquiry, on the other hand, can be set up without the prior consent of either party. It does not make an award, but its report, which is laid before Parliament as a White Paper, usually contains some proposals for a settlement. Its value lies in giving publicity to the facts of the dispute and in guiding public opinion. As a strike or lock-out that is disapproved by public opinion is immediately weakened, the report usually leads to a settlement—though Courts of Inquiry have been used but rarely; they are supposed to be reserved for conflicts that could have important national consequences, when other means of reaching a settlement have failed.

In the present instance the court will have to decide on the merits of a claim that is based on the cost of living in January, 1948. The union says that the index has risen by 35.5 per cent since then whereas wage rates have risen by only 28.3 per cent. The employers, on the other hand, contend that if 1946 is taken as the base year the cost of living has risen by 36.8 per cent and hourly wage rates by 43.3 per cent. It will be interesting to see what the court makes of their argument that in any case 3.5 per cent of the rise in the cost of living was due to the reduction of food subsidies, which was compensated by tax changes—a point that is ignored in all the current wage claims. The union will not decide until Sunday whether to call off the strike, as the Minister has asked, while the court sits; but it will probably feel unable, even at this stage, to ignore the effect on public opinion of further intransigence.

Water Under Fire

THE water companies and authorities have made dignified pleas against their selection by the TUC as the victim of its ritual sacrifice at the altar of nationalisation. Public ownership of water supply was the one definite socialist proposal that the TUC's General Council could safely make, not because it is claimed to have much merit but because there are no powerful objections to it. There is no fear of dislocating production or, indeed, of making any real difference at all. The TUC's recent report includes no attempt to justify the proposal, beyond the perfunctory assertion that nationalisation is necessary, first, in order to provide a universal service and to eliminate waste; and, secondly, because increased investment is needed to meet expanding demand, mainly from industry.

These fair-sounding phrases ignore certain facts. A service as nearly as possible universal is being provided already, without waste that anyone has detected; some 95 per cent of the population already has a piped water supply or a nearby stand-pipe, and of the other 5 per cent a large part will be served by rural water schemes now in progress. Moreover, investment in water supply has been restricted not by private wickedness but by government policy—and by the Labour Government as well as by the present one.

The other motives for the nationalisation of water supply are unimpressive. It has a certain appeal for the sake of tidiness. It would round off the public ownership of similar utilities, such as gas and electricity. It would look better on paper than the existing complex, developed piecemeal over the years, of local authorities, joint boards and private undertakings.

But above all, with 150 private companies still in the field, as well as over a thousand small private suppliers, the old cry can be raised that this is a service that should not be dependent on considerations of profit. In fact, it is not so dependent. Exchequer grants are available for rural water schemes, and the Minister of Housing controls private undertakings. He can require them to make surveys, to extend their services, and to amalgamate to form larger units. There is a case for a more vigorous use of this latter power. But as none other than Mr Bevan, then Minister of Health, said at the Labour party conference in 1947, "We have all the machinery we need for an adequate water supply in Great Britain." In the minds of the union leaders, the reason for altering the machinery is probably no more than the belief that in this case nationalisation would at least be harmless. Even if that is true, it is a monstrously inadequate motive for occupying the time of Parliament and of administrators. And there should by now be a general awareness that measures which lessen local initiative, which take yet more power to the centre and further reduce the functions of local authorities, always run the risk of doing in fact considerable harm.

How to Stimulate Saving

THE margin of error in even the most authoritative calculation of total personal savings in Britain today is so enormous that no inference drawn from short-run changes, in either direction, can rank as much more than a guess. The handicap to discussions of policy, however, is not so serious as it might seem. For whatever figures emerge, they disclose a shortage of personal savings, and whatever policy is chosen, it must aim to correct that shortage.

Mr David Dear, the author of the Conservative Political Centre's newly issued pamphlet on this subject, sets his proposals against a background of historical analysis.* He examines changes in the prewar rate of accumulation of certain readily measurable types of savings—industrial assurance, life assurance, National Savings Certificates, Post Office and Trustee Savings Banks accounts, building society liabilities and mortgages repayments. From these some suggestive facts emerge. Changes in the rate of interest, notably the sharp drop in 1932, cause some reshuffling of assets but have no perceptible effect on the total; depression has, surprisingly, a much less destructive impact than a rise in the cost of living—which indicates that the "money veil" is much thinner than some Keynesians suppose. This conclusion is borne out by the postwar figures; whatever else may be done to stimulate savings, holding the line against inflation is the first condition of solid and permanent success. Since inadequate savings are themselves largely responsible for inflation, this analysis

* "Personal Savings." By David Dear. CPC Discussion Series, 29 pages. 6d.

uncomfortably re-emphasises the viciousness of the vicious spiral; but it does also indicate that any breathing space, such as that provided over the last eighteen months by more favourable terms of trade, offers a chance of reversing the spiral and making it virtuous.

In this perspective, specific proposals for encouraging and facilitating personal thrift fall into their proper auxiliary place. Mr Dear has several such proposals, mostly fiscal. He would extend the tax reliefs now allowed on life insurance premiums, and on contributions under group retirement schemes, to savings for retirement made by self-employed people, and also to the contractual purchase of Government stock; the second is, admittedly a matter of great administrative difficulty. At the same time, he proposes that the granting of earned income relief should apply also to the first £200 of unearned income.

The trouble with all these proposals is that they do nothing to solve the qualitative problem of personal savings—the problem, that is, of the relative and absolute shortage of risk capital. Even the most broadly based of investment trust units appears, to Mr Dear, too uncertain an asset for the small saver and so an unsuitable medium for official encouragement. Mr Dear advises a special approach to the "new rich"—particularly the families with several wage-earners—and possibly that should include an appeal to take a chance on industry rather than on the pools, at present a disproportionately popular medium of risk "investment."

Bulganin's Conscripts

MOSCOW announced officially last week that all Soviet citizens born in 1934 and not exempted from military service are being called up, while those who have served the time prescribed by law are being demobilised. The decree, bearing the signature of the Minister of Defence, Marshal N. A. Bulganin, marks a break with the Stalinist secrecy that had acquired morbid proportions during the years of the cold war. Since the passing of a special law about State secrets in 1947, the Russians have taken care to camouflage even the most innocuous data, and there has been no mention of call-up or demobilisation. Now they have revived the practice of prewar years, when such announcements were made annually in September.

This return to prewar procedure does not cost the Soviet government anything, for it involves no real disclosure. So little is known about the size of the Soviet armed forces that no precise deduction can be made about the troops now being released. Length of conscript service in the Soviet forces varies according to category, from two years for ordinary soldiers up to five years for certain specialists. Will the men demobilised now outnumber the 750,000 or so new recruits? Marshal Bulganin has succeeded in killing two birds with one stone. He gives to the Russians some feeling of stability, of a return to normalcy, while leaving the West still in the dark about Soviet strength.

There has been no lack of estimates of the actual scale of the Soviet forces, but they are necessarily based largely on guesswork. Malenkov's statement last year that the numbers under arms "do not exceed those before the war" has led many outside observers to put the size of the land

forces at somewhere around two and a half million. Now, with a possible shift from conventional to atomic strategy and a greater demand for manpower in light industry, a case could obviously be made for reducing the standing army. But Marshal Bulganin gave no clues in that direction. He merely showed to what absurd lengths Soviet secrecy was extended under Stalin and how little risk is involved for the Soviet Union in a partial relaxation from that grotesque degree of "vigilance."

A Strasbourg for Nato?

THE unofficial conference on the Atlantic Community held last week in Copenhagen found its most debatable issue in the proposal to set up a consultative parliamentary body, akin to the Strasbourg assembly, as an organ of expression for the Nato countries. Although discussion on this question revealed clear differences of opinion (which often cut through national delegations), the fact that the harmony of the gathering was thereby disturbed was in itself no bad thing. The delegates had not come to Copenhagen merely to listen to speeches by General Gruenther and Mr Herbert Morrison, or to adopt worthy but unexciting resolutions calling for greater publicity for the aims of the North Atlantic Treaty. Their meeting gained in value from the very fact that, while all those present supported the development of an Atlantic Community, their debates fairly reflected the real division of thought which exists on both sides of the Atlantic as to how that development should proceed.

Those who oppose the creation of a consultative

assembly for Nato are not simply influenced by cynicism about the record of the corresponding body at Strasbourg. They are also inclined to doubt whether enough true comprehension can be found among the peoples of an area stretching from Los Angeles and Vancouver to Narvik and the Caucasus to sustain such an assembly in its proper role. A Nato assembly that devoted itself to competitive parochialisms would be a positive danger to its own cause. There may be more prudent and less cumbrous ways of nurturing popular enthusiasm for the Atlantic ideal; and it is encouraging that the national groups represented at Copenhagen have decided to hasten their plans for closer co-operation on a practical level.

Trading Turks

LAST week the Turkish government took resolute action to deal with its balance of payments problem. The attempt, begun in 1950 with the backing of the European Payments Union, to liberalise Turkey's foreign trade completely is officially abandoned. In fact, to all intents and purposes it has been scrapped since last September when the government, alarmed at a trade deficit of around £T500 million, introduced a system of global quotas; this was designed not so much to reduce the volume of imports as to prevent it from increasing any further. The measures announced last week will allow the government to cut down on imports, since all are now to be subject to a strict system of licensing. At a later stage, however, it appears that the government intends to introduce a restricted list of goods, including certain industrial raw materials and spare machinery parts, which can be imported freely.

At the same time, the Turks are taking steps to boost their exports. The government is determined, for political and social reasons, not to reduce the prices paid to the Turkish peasant for his wheat, cotton and dried fruit. This policy meant that last year, when for the first time Turkey's determined efforts to expand its agricultural production showed outstanding results, no market could be found for a large part of its agricultural export surplus. If this is not to happen again this year some means must be found of putting Turkish produce on the world market at competitive prices. An export subsidy fund is therefore to be set up, financed by duties on "secondary and luxury imports." So long as the import duties are not used to protect uneconomic Turkish industries, this novel way of subsidising exports has a good deal to recommend it; but it should be regarded only as a temporary expedient. In present circumstances the long-term solution is to increase the productivity of the Turkish farmer.

Turkey's balance of payments difficulties are mainly due to the large imports of capital goods for its ambitious economic development plans. In so far as these plans are well-founded, the Turks can reasonably hope that their trade deficit will gradually become less troublesome. But the problem of developing their economic resources without seriously upsetting their foreign trade accounts would be lessened if they were more successful in attracting the foreign private investor. It is therefore encouraging to find that Mr Clarence B. Randall, chairman of the new US commission on foreign economic policy, has just been surveying the possibilities for private investment in Turkey,

and that the Turkish government is considering new measures to attract the foreign investor.

Broadcasting Finance

THE BBC's report for 1952-53, published this week, confirms the gloomy prognostications of last year's report. The corporation has made a loss of £759,000; in the previous year, income had exceeded expenditure by £123,000.

The accounts for 1951-52 showed the effect of only three months of the Treasury's appropriation of 15 per cent of the net licence income (after the payment of 7½ per cent to the Post Office for the costs of collection); those for 1952-53 reflect a full year of this burden. The gross licence revenue rose by £878,000, mainly because the number of television licences increased by 50 per cent, but this was far more than offset by the Treasury deduction. The BBC's income from this source was reduced by more than £500,000 compared with 1951-52. Capital expenditure that in a better year would have been met from revenue was financed from reserves. The corporation estimates that, if present trends continue, its deficit will be more than doubled in 1953-54 and that its reserves will be more or less exhausted during the year. The BBC would then have to rely on borrowing to finance the large development schemes that have been delayed by restrictions on capital investment.

The objections to such borrowing are hardly as weighty as the report implies. Naturally, the BBC would like to return to the short and happy period, from April, 1950, until December, 1951, when it enjoyed the whole of the revenue from broadcast receiving licences. But there is no reason why this tax should not make a contribution to general government revenue, as do the taxes on other services and trades. The BBC's present report, like last year's, is in effect a plea for exemption from this contribution. If it is really so unable to balance expenditure against present income, and so reluctant to borrow for capital development, there is still no reason to take a tragic view of the corporation's finances. With radio regarded as a domestic necessity, and with the number of television licences shooting up, there would be little difficulty in increasing the licence fee. An increase from £2 to £3 in the combined licence for sound and television—which was foreshadowed recently by the Director-General—would rightly make television development less dependent on the reserves built up by sound broadcasting. And a mere half-crown on to sound licences would bring in more than last year's deficit.

Education in Inflation

EVER since Sir Stafford Cripps put a ceiling on the food subsidies Great Britain has been gradually exchanging one kind of inflation for another. The repressed inflation of the war and immediate postwar years—the inflation manifested in "scarcities," long delivery dates, directed consumer choices, and general grit in the wheels—was replaced by an almost equivalent amount of the old-

fashioned open inflation whose simple and easily recognisable characteristic is a general rise in prices. The distinction between these two varieties, and their common root in an excess of personal incomes over purchasable output at current prices, is by now a commonplace of economic theory; but it has not sunk into the consciousness of the general public. Indeed, unsophisticated voters of all colours are still inclined to believe that so long as prices are steady all is well; while to a certain brand of left-wing sophisticate the hit-'em-and-hold-'em policy of monetary stimulus and physical controls, which is the essence of repressed inflation, appears as a thing good in itself which should be maintained, if possible, permanently.

Professor Frank Paish, in his presidential address last week to Section F of the British Association, not only analysed the differences between the natures, and the effects, of open and repressed inflation. He also gave a novel turn to the discussion by analysing the flow of purchasing power according to its active and inactive phases—its passage into and out of the "assets circulation" (stocks, securities and balances, whether personal or institutional) as well as its genesis and destruction by monetary and fiscal policy. For the student of postwar economic history this analysis provides a highly suggestive and illuminating guide. The general, unsophisticated public—which, when it votes, is apt unconsciously to express a choice for one sort of inflation over the other—is hardly equipped to follow his argument. But it falls into place

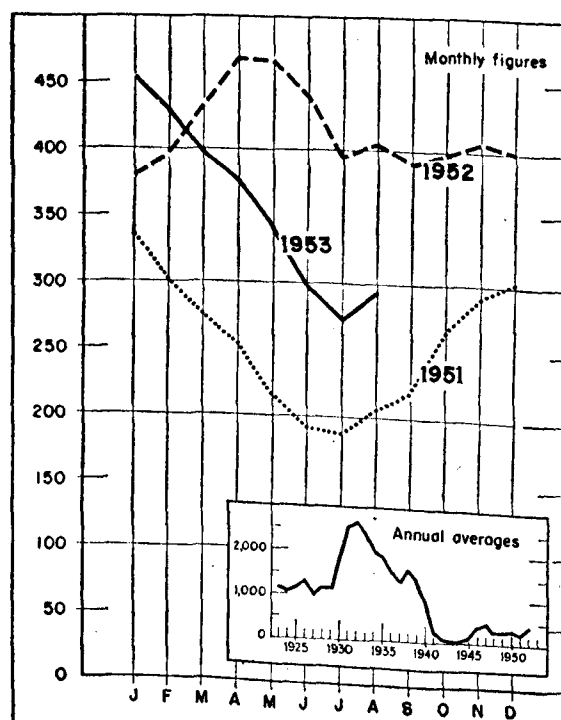
The Price Mechanism

Nothing could be more prejudicial to public interests than the attempt to avoid by any means the proper and natural consequences of scarcity, or of increased demand. The best, if not the only true, security against the evils or inconvenience of scarcity, is a rise of price; the effect of which is not only to economise consumption, but to encourage larger supplies at the moment, and increased production in the future. Nothing could have a more ruinous tendency at any time than to keep prices low, when the actual state of the supply should naturally make them high. This could only be accomplished by the interposition of some artificial regulation, which would not only not tend to increase quantity, but which, on the contrary, while it encouraged for a time a more lavish consumption, would also direct external supplies into other and more profitable channels. We have, therefore, to steer between the two difficulties. We have to avoid Scylla, and, if possible, not be drawn into Charybdis. We have to allay unnecessary apprehension and alarm, which at all times greatly aggravate the evil at the moment, and extend its scope in the future, while we have to leave scarcity to its own natural cure, by increased prices sufficient for the occasion. But this is a task far too delicate and too difficult to perform by any regulations. The nearest approach to its successful performance can only be obtained by a perfectly free, unrestricted, and unregulated trade; and by such a knowledge and intelligence on the part of the commercial public as will lead them to approach the nearest to an exact appreciation of the necessities of the occasion. When the Government has withdrawn all restrictions and interference in matters of commerce, the rest must be left to the intelligence and to the private interest of individuals, which, in spite of a popular notion to the contrary, the latter of which is always the same as the public interest.

The Economist

September 10, 1853

UNEMPLOYMENT IN GREAT BRITAIN THOUSANDS



as a contribution to a gradual process of enlightenment. The 1914-18 war and its aftermath educated the general public in the painful facts of open inflation; the 1939-45 war and Daltonian finance may in time prove to have provided the necessary postgraduate course.

Mr Strauss Quells a Mutiny

IN South Africa an incipient revolt by four right-wing United Party members, headed by Mr Bailey Bekker, chairman of the Transvaal branch, has been suppressed by the leader of the party, Mr Strauss. After hours of debate in a special closed session of the party caucus, Mr Strauss obtained last Sunday an overwhelming vote of confidence. The disgruntled mutineers, though smarting under the defeat, have been forced to toe the line; but Mr Strauss's supremacy is not assured, nor is it yet clear what impact his victory will have on the party's future policies.

It was just as well that the party endured this catharsis, for on Wednesday next week it must face another parliamentary test when Dr Malan's Separate Registration of Voters Bill comes up for the crucial third reading in the joint sitting of both houses. Ostensibly the revolt was against Mr Strauss's personal inadequacies as a leader, and the failure of the party machine during the election campaign; but in fact the trouble goes much deeper. The dissident group are actually the same people who have seemed to be most approachable to Dr Malan in his attempts to woo sufficient support from the opposition to push through his bill. There are undoubtedly many other members of the opposition who are basically disposed to accept a compromise if it can be wrapped up in some apparently honourable formula. But there is also a strong sense of loyalty and discipline in the United Party, which no doubt stems from the great days of Smuts. His chosen successor, however inadequate he has proved, can still count on a loyal core.

Some commentators have assumed that Mr Strauss's triumph will bring a shift in the United Party's policy towards a more liberal native policy. This is a misconception. Though the liberal element in the UP is growing it is by no means dominant. Furthermore, the brand of liberalism likely to be expounded by such a movement would hardly measure up to the ideals accepted elsewhere. Mr Strauss's victory is more of a triumph for the orthodox party managers than a shift to the left.

New Light on "Germ War"

AMONG the very last of the prisoners handed back by the Chinese in Korea last week were several American airmen who had been accused by their captors of dropping bacteriological bombs. The great world-wide propaganda campaign on germ warfare conducted by the Communists has been largely centred on the alleged confessions of these men, which were publicised with a wealth of superficially plausible detail; but although some of the airmen had been prisoners for a year or more, no independent witness had

ever been allowed access to them. Now some of them have told the sickening story of how the "confessions" were extracted in the course of agonising months of solitude and suffering. One second lieutenant, badly burned when his aircraft crashed, was refused medical treatment until he agreed to confess—although his tormentors blandly offered him a choice of three crimes to admit.

It appears from the released men's stories that after the signing of the armistice the pressure on them was actually increased, and that up to the last days before release they were being threatened that refusal to confess would destroy their chances of being repatriated. Presumably the Chinese were seriously concerned to preserve as much "face" as possible. This is also implied by the way that those of the accused airmen who resolutely withstood both threats and ill-treatment to the end have now been solemnly "acquitted" by their captors. A spontaneous and notable tribute was paid to these men by one of the other airmen who had himself succumbed to pressure; he said that they deserved the highest awards for bravery, while he and the others who had signed "confessions" considered themselves traitors. Public opinion will scarcely condemn such men as harshly as they condemn themselves; it will do well, on the other hand, to take note of the truth that is now emerging about the "germ warfare" campaign—one of the cruellest farces ever played on the political stage.

Prevention of Poisoning

FOOD poisoning has been common this summer and has sharpened public anxiety about standards of cleanliness in catering establishments and food shops. It is slightly reassuring, therefore, to have a 60-page handbook on "Clean Catering" published this week by the Ministry of Food. It makes practical suggestions about the kind of layout, construction and equipment that is easiest to keep clean. As such, it may be of some use in inducing those who are setting up new catering establishments to achieve at least the framework for hygiene; it may even promote improvements in a few existing premises. But its effect on the incidence of food poisoning is likely to be small. The most common cause of poisoning—intestinal infection carried on the hands—is not dealt with until the final chapter on "Practices." Nor is it the sort of pamphlet that would be read by the proprietor of a dirty little cafe; and if he did read it, he need not heed it.

Two years ago the Ministry published another pamphlet on food hygiene in catering establishments—the report of a working party. This drew up a standard code of practice, short and to the point, which included measures to limit infection by food handlers and minimum hygienic requirements for premises. The working party suggested that this code should be made immediately applicable, that local authorities should send it to all caterers in their area, and should take action against anyone not observing it. This was never done. Local medical officers do lay down their own requirements, and in many areas Clean Food associations are promoting higher standards by voluntary means. But in order that the public, as well as the catering trade, may know where it stands, there is a need for a simple nationally recognised code that is everywhere enforced.

Books & Publications

How to Manage

THE PRINCIPLES AND PRACTICE OF MANAGEMENT.

Edited by E. F. L. Brech.
Longmans. 752 pages. 50s.

MANAGEMENT training in this country has long suffered from a lack of adequate textbooks written with British conditions in mind. Lack of textbooks, like lack of teachers, has severely hampered the development of a training course that practical businessmen would respect. Lack of prestige has, in turn, discouraged British students from taking management studies as a serious part of their training as industrial leaders and executives. Mr Brech has put the whole "management movement"—the cause of efficiency and higher productivity—into his debt by producing this up-to-date compendium. Alone, this one book may not break the vicious circle that prevents business schooling from getting results in this country as it does in America, but he and his co-authors have done as much as one team can do.

The publishers frankly declare that Brech on Management is not a book to be read through at a sitting; and that must be held good of reviewers as well as of management trainees. It is not a book that can be criticised in detail; yet to pick out any one section for particular scrutiny would be invidious. It can be said, however, that it is plainly written, straightforward, eminently practical and reflecting the wide experience, as well as wide reading, of its team of authors; and the word "team" is used advisedly, for the treatise has unity of purpose and a broad uniformity of terminology that make it entirely different from a collection of papers, or even separate books gathered under one cover. It states the principles of management—which will mean little to the neophyte. It moves steadily through the organisation of distribution; production (note the order); personnel management; cost; financial and other control to the practice of management—the work, in particular of the General Manager—which, by that time, should mean something to the neophyte who is learning on the shop floor as well as in a seminar. He can then apply principles to his experience, realise just what he is doing in the whole, and to what profession he has devoted his life.

In style, "The Principles and Practice of Management" is in refreshing contrast to the run of business textbooks turned out by American business professors. It avoids jargon, even if, perhaps, it overworks such words as "factor." Here and there—in the discussion of indus-

trial relations for example—the abstract nouns tend to get out of hand but matters might be worse. In general the book is admirably concrete, sticking to case histories or *pro forma* statements of procedure; and the authors wisely dogmatise on the best methods. If they are right, the student will know, once and for all; if he can fault them later on, that will be a sign that he really has the stuff of management in him. But nobody will ever put the mass of procedures explained in this book to the test: on the other hand, few management trainees faced on the shop floor with a problem of "how to get about starting the job" will turn to it in vain for a valuable suggestion or a prototype of his problem. The publishers urge the practising manager (if one may use the expression) to use it as a "desk book," which is asking rather more of it. Managers have so much to read already, and few are inclined to go to school again. But perhaps they should; if so, Mr Brech and his team are a ready-made refresher course on fundamentals.

White Man's Burden

BLACK MAN'S TOWN.

By Isobel Ryan.
Jonathan Cape. 249 pages. 15s.

NO doubt future historians will comment with some bewilderment on the reactions of public opinion in Britain to the existence of a worldwide British Commonwealth. For very many, it is a matter of complete indifference if not of active boredom. For a few, it is a tremendous field for theoretical judgments on the predatory activities of evil capitalists. For almost none is it an area where British men and women actually work and live, where they carry on administration, create wealth and contribute that extra dimension to British living without which Britain would be a small island of the Eurasian land mass.

Books such as Mrs Ryan's are therefore welcome, for they try to break through indifference by lightness and amusement in writing and to temper ideology by showing the substance of actual living, in the tropics—not the profits and the marketing and the "exploitation" but the nature of existence in jungle guest houses, the struggles with the encroaching insect life of Africa, the absurdities and heartbreaks of life in towns of makeshift modernity barely rising above the primitive bush. No one who has read, for instance, Mrs Ryan's account of life on the trading station at Burutu, far away up the swampy creeks of Nigeria, will feel in-

clined to dismiss quite so lightly the commercial enterprise of West Africa on whose transmission of wealth British living standards partly depend.

"Black Man's Town" is written on the surface. It gives a quick, often vivid, impression of the day-to-day life of Europeans in West Africa. It does not pretend to describe the deeper social and political causes conditioning the superficial attitudes and problems of the White Man's contact with the African. At the beginning of the book Dr Kwana Nkrumah is a young hothead in gaol for agitation. At the end, he is already head of the government. No intermediate steps are sketched in.

Yet the book is not without political value, for it illustrates a temper of mind without which probably no lasting partnership between African and expatriate can be secured. Mrs Ryan can look at both her own people and at their African neighbours with a detached eye. It is a friendly regard, sympathetic and unbiased, and it leads her to a conclusion which is the very essence of West African politics—"that European and West African have a great need, each for the other's co-operation, friendship and trust . . . ill-matched though they may seem. Their present relationship may appear as confused as was their past history. But live together they must, for the only alternatives for both are grave and equal loss." There can be no quarrel with this judgment. And Mrs Ryan also makes clear how much patience, good will and sacrifice will be demanded from British officials and businessmen if the ideal of partnership is to be worked out.

Lincoln Reassessed

ABRAHAM LINCOLN.

By Benjamin P. Thomas.
Eyre and Spottiswoode. 368 pages. 25s.

THE time was ripe for a new life of Lincoln. The stream of Lincoln scholarship has so broadened in the past thirty years that our factual information has enormously increased and our perspective of him has been sensibly modified. Much of the new material and the revised estimates have been made available to English readers in the works of two Illinoisans, the late John Randall and Professor Allan Nevins, but it has been left to a third son of Lincoln's own state (also the Secretary of the Abraham Lincoln Association at Springfield) to cast the new findings into the mould of a biography for the general reader. The endorsements which Mr Thomas's book has already received in the United States from these and other authorities prove on inspection to be amply merited. It can safely be said that this is the best one-volume life of Lincoln at present available.

Mr Thomas's greatest merit as a biographer is his willingness to present the facts with the minimum of trimmings. Above all else, this is a precise, fact-studded narrative. There is a ruthless winnowing away of legend—as over the Ann Rutledge romance—and a tight rein is kept on surmise, moralising and

underlining. Wherever possible Lincoln or his contemporaries are allowed to speak for themselves. Yet the narrative flows easily and one never gets the sensation that the man is being submerged beneath the material about him. Mr Thomas's selective artistry, for all its self-concealment, is always present. This is the sort of life that could only have been written by a man who knew ten times as much as he has allowed himself to put in.

The English reader will naturally be tempted to compare this life with the earlier and deservedly famous *Abraham Lincoln* of Lord Charnwood (and is indeed encouraged to do so in Mr Thomas's very fair and full bibliography). A first impression is that Mr Thomas, writing more immediately for an American public, assumes some of the historical and constitutional background that Charnwood felt obliged to fill in. It must also be admitted that Mr Thomas does not command as subtle or as eloquent a pen. There is an occasional lack of life about his narrative. On the other hand, he achieves a realism that Charnwood's rather remote and intellectualised portrait often lacks. The early chapters, in which Mr Thomas writes of the Mid-Western boyhood and youth that left such a mark on the Lincoln of the White House, have a particular force and vividness. And when Mr Thomas comes to the immensely intricate story of the Civil War years there is a simplicity and directness about his narrative which reflect the thoroughness and, more, the complete intellectual honesty of his approach. These are solid virtues, and such moreover as one feels Lincoln would himself have prized above all others in a biographer.

Urban Growth

THE GEOGRAPHY OF TOWNS.

By A. E. Smailes.
Hutchinson's University Library. 166 pages. 8s. 6d.

SINCE the publication of Geddes's pioneering "Cities in Evolution" in 1915, work on geography as applied to the town has gone on somewhat fitfully in Britain. Although workers in this field have contributed considerably to the techniques of town and country planning, the subject has attracted less attention than in the United States or Germany. In particular there has long been the need for an introductory account to which the general reader and the undergraduate could confidently be referred. This need Mr Smailes meets most admirably. In its short space his book gives a thorough introduction to the various branches of the subject. In the opening chapters he describes the development of urbanism, contrasting towns as they existed for some 5 millennia, isolated occurrences in a dominantly rural scene, with the sprawling agglomerations that they have become in the last hundred years. There follows a discussion of the various influences on the site and form of towns, influences both from physical geography and situation and from the cultural side. The

final chapters concern the physical structure of towns, the various types of internal region into which they can be divided, and the regions which they create for themselves in the surrounding countryside.

But this book is more than an outline of a branch of geographical study, for Mr Smailes draws on his experience to throw out many comments on current administrative and planning practice. We find him, for example, attacking the idea of the "neighbourhood unit" in towns, so beloved by urban planners, or denying the reality of the division between "urban" and "rural" in local government, or advocating the reform of local government units to coincide with the real tributary areas of towns. If there is any criticism to make it is that, even in the limited space available, rather greater reference might have been made to urban conditions abroad. But at least the frequent illustrations drawn from the British Isles are the unhackneyed product of original investigations. Altogether this is a book which fulfils its purpose very well, and which is often stimulating. It is a worthy member of an excellent series.

Inadequate Guide

THE MODERN WRITER AND HIS WORLD.

By G. S. Fraser.
Verschoyle. 351 pages. 16s.

THE dust-wrapper, preface and introduction to this book are loaded with unpromising statements. The work began as "a guide to modern English literature for the Japanese"; the bulk of it was "dictated . . . in the summer of 1950"; the author has in mind "Dr Joad's excellent guides" and proposes to "record the view of contemporary English literature that one thinks 'most people' take." Mr Fraser here does not quite mean that he rejoices to concur with the common reader, for "most people" are defined as certain critics of an older generation, certain friends of one's own generation, whose judgement one respects.

Mr Fraser's friends are active on page 27 ("I have not read Lawrence's own 'Lady Chatterley's Lover' but my impression of it from what my friends tell me is that it is an artistic failure"), but it is not clear whether they are still at work on page 91 ("Lady Chatterley's Lover," the frankest of his novels from this point of view, is by no means his best one. Indeed, it is perhaps his worst. But it was by no means a pornographic book," etc.).

In attempting on these principles what is in fact a literary history beginning with the 1890s Mr Fraser would appear to suggest that "most people" have no very lively interest in the earlier part of the period. George Orwell gets four pages and Conrad two paragraphs—his only work specifically mentioned being the short story "Heart of Darkness." Carpenter, Doughty and T. E. Lawrence are not named; nor is any work by Butler, Hudson, Rutherford, Gissing, Mr Masfield or Mr de la

Mare. Of the older writers it is Henry James about whom "most people" seem chiefly given to talking; yet the eighteen entries against his name yield only two mentions of actual works: in "An International Episode" James shows that he can evoke a scene, and Dr F. R. Leavis finds "The Ambassadors" a bore. On the other hand novels by Miss Lehmann and Miss Bowen are discussed in some detail. Nobody has heard of Mr Cary.

One suspects that Mr Fraser lacked the impulse to produce a comprehensive survey of this literary period. He would have been wiser to cut his losses with the Japanese and write a new book to which his present title might better apply. For where he is informed and interested he is stimulating and acute. His discussion of recent poetry is a contribution to its subject, and in the section on novelists there are some good and astringent pages on, among others, Mr Evelyn Waugh and Miss Ivy Compton-Burnett. It is perhaps indicative of the unfinished state of Mr Fraser's studies that he writes excellently on "Ulysses" but makes no attempt to tackle "Finnegan's Wake." That appalling masterpiece should hold few terrors for one who is free of the verse of Mr William Empson.

Stardust

STARS IN THE MAKING.

By Cecilia Payne-Gaposchkin.
Eyre and Spottiswoode. 160 pages+67 plates. 25s.

FROM the night of their forebears men have felt most humble in the face of the stars. The immensity of astral space, however, pales besides that continuum of both space and time which paradoxically gives the word eternity a measurable meaning. As the Phillips Astronomer at Harvard says in the second sentence of her book "astronomers are incorrigible optimists"; but they are also so detached from, so humble towards, the comparative pettiness of earthly affairs, that in an era which extols the common man's omniscience, omniscience and unique value there is much to be said for Boethius's advice: "See where the stars still keep their ancient peace." The author begins by emphasising the vast spans of time and space involved in astronomy and astro-physics. She points out that for as long as human history is known the stars in their courses have hardly varied one jot, yet we know that their speeds of divergence are colossal; so vast are both space and time in the context of the astral creation. And astral creation and degeneration are Professor Payne-Gaposchkin's themes. She sets a stage, brings on the players (stars, dust and atoms), handles their groupings (binaries, clusters, systems), and then develops a *dénouement* of evolution and dissolution.

In many ways the book is not at all "according to Hoyle," which makes it even more refreshing than it would have been for British readers. The expositions

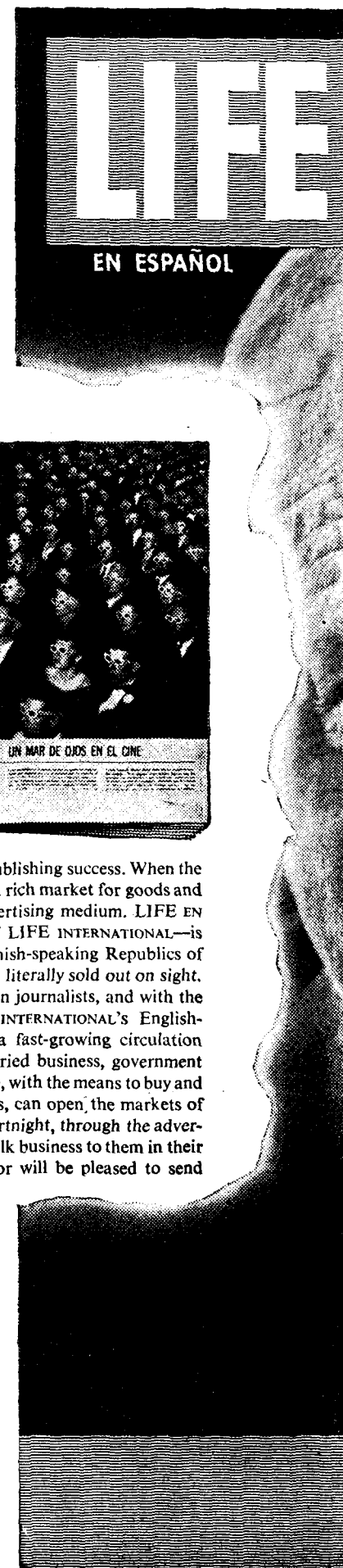
If you want to do business in Latin America— say so in

LIFE

en español

LIFE EN ESPAÑOL—average net paid circulation 200,000-250,000 copies in Spanish, circulating in Central and South America.
LIFE INTERNATIONAL—average net paid circulation 250,000-300,000 copies in English, circulating in 120 countries outside North America.
These are the INTERNATIONAL EDITIONS of LIFE magazines.

TIME & LIFE BUILDING, NEW BOND STREET, LONDON, W.1

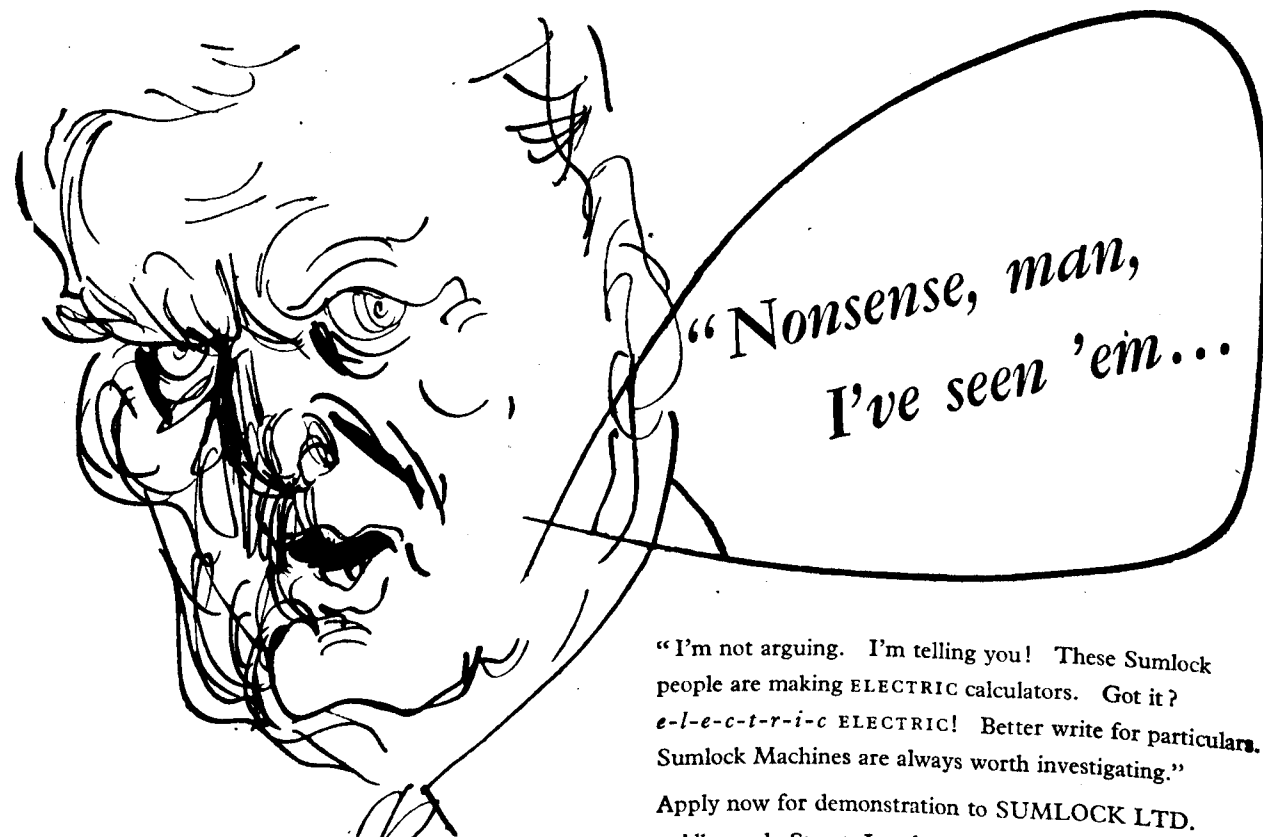


When a new magazine sells on sight, it's a publishing success. When the people who buy it so readily also represent a rich market for goods and services of all kinds, it's an important advertising medium. LIFE EN ESPAÑOL—the Spanish-language edition of LIFE INTERNATIONAL—is both. Since its first appearance in the Spanish-speaking Republics of Latin America last January, every issue has literally sold out on sight. Brilliantly edited by leading Latin American journalists, and with the same consistent picture-appeal of LIFE INTERNATIONAL's English-language edition, LIFE EN ESPAÑOL has a fast-growing circulation among men and women of the higher-salaried business, government and professional communities. These people, with the means to buy and the power to influence the buying of others, can open the markets of Latin America to your company. Once a fortnight, through the advertising pages of LIFE EN ESPAÑOL, you can talk business to them in their own language. The Advertisement Director will be pleased to send you full details.

SEGARD & C^o

Wool Merchants

TOURCOING AUSTRALIA NEW ZEALAND
SOUTH AFRICA ARGENTINA URUGUAY
PUNTA-ARENAS



"I'm not arguing. I'm telling you! These Sumlock people are making ELECTRIC calculators. Got it? e-l-e-c-t-r-i-c ELECTRIC! Better write for particulars. Sumlock Machines are always worth investigating."

Apply now for demonstration to SUMLOCK LTD.
1 Albemarle Street, London, W.1. HYDe Park 1331

Branches in: Belfast Birmingham, Bristol, Cardiff, Glasgow, Leeds, Leicester, Liverpool, Manchester, Newcastle, Nottingham, Sheffield, Southampton.

and explanations are simple and clear, and the diagrams are equally helpful to the general reader, to whom this book can be warmly recommended. But the dream is at the end: the 67 superb plates ranging from sunspots to that awe-inspiring spiral galaxy Messier 51. These photographs—all from American telescopes—tell by themselves a remarkable story of universes in being, coming to be, and departing from being. One gets the sense of flaming whorls, yellow and violet against black, which rupture the envelope of the sun; of solar chasms ten times wider than our world; of whirling galaxies strung out in space in shapes according to degree of development; and, ultimately—a chastening reflection—of novae and supernovae, brilliant like spatial glow-worms for an instant of eternity, because we now see where a star blazed up and snuffed out millions and millions of years ago.

Professor Payne-Gaposchkin treats us kindly but firmly; clear as her writing is, she demands concentration and sequence of thought. It is only asking for more to criticise her for so smoothly gliding over the physical assumptions she makes in order to mount her drama on such a vast stage. Likewise she avoids entropy, and the reasons for winding-up and running down. But this book abundantly shows the startling advance made in the last twenty years thanks to bigger and better telescopes, better photography and better spectroscopy, electro-measurement and wave-analysis. We have just got to the stage of realising that the numbers of "possible worlds" beyond

reach of our best telescopes (because they are too far-away-and-long-ago, receding faster than their light is coming towards us) must vastly outnumber those we can see, just as "they that are dead do greatly outnumber they that are living." This handsomely-produced book and its sane, sound and sympathetic author make us familiar with the eternities, and such familiarity breeds the contrary of contempt.

The Woman Doctor

STORMING THE CITADEL.

By E. Moberly Bell.
Constable. 200 pages. 18s.

THE citadel is not Harley Street; it is virtually the whole of the male medical profession. Guarding it outside the ramparts were the university senates and a host of well-meaning private citizens. Against this formidable and organised defence were pitted, to begin with, a handful of women, armed for the most part with nothing more than high intelligence and exceptional character and determination.

One had expected Miss Moberly Bell's account of the rise of the woman doctor to be interesting and fluently written. But she has made it oddly exciting as well; at least, that is, in the early chapters where, first, Elizabeth Blackwell, followed by Elizabeth Garrett (later Elizabeth Garrett Anderson) and Sophia Jex-Blake carry out their assaults. Their successes, failures, gradual mobilising of public opinion, and ultimate triumph over the enemy are woven by Miss Moberly Bell's skilful telling into a history that is as gripping as an adventure story. In this she is helped by the characters of the two protagonists. The contrast between Elizabeth Garrett's gentle, dignified persistence and Sophia Jex-Blake's energy and drive, offset by lack of judgment, is well brought out. In one respect, at least, Elizabeth Garrett had the easier part. Few believed, when she first started on her career, that a woman could possess the brains or the stamina to become qualified. Her success caused the defenders of the citadel to arm themselves more powerfully, and it needed the fiercer, more forceful temperament of Sophia Jex-Blake to lead the next assault and, eventually, to found the London School of Medicine for Women.

After the victory, when women were allowed to sit for university degrees and take qualifying examinations, the narrative flags somewhat. This is only natural. The period was one of consolidation; qualified women doctors showed their abilities in new fields, in India and in the world war. Victory, however, was still not absolute—not until after the second war, when medical schools had to become to some extent co-educational as a condition of receiving grants; even today no one would deny that prejudice against women exists when certain appointments are made in, say, the big teaching hospitals. But the security and status women doctors enjoy



He stayed hidden in a cupboard for thirteen days after Arnhem

— an incident from

RETURN TICKET

by
ANTHONY
DEANE-DRUMMOND

(from Collins, who published 'The Wooden Horse')

12s. 6d.

today would not be theirs had it not been for the outstanding character and ability of the pioneers and for the support of those who had faith in them.

Text and Reference Books

THE BOOK OF ENGLISH LAW.
By Edward Jenks. Fifth Edition, revised by D. J. L. Davies.
John Murray. 347 pages. 21s.

This book is a classic, as any book in its fifth edition must be. It was written by Dr Jenks in 1928 to provide a convenient text-book on the laws of England for use in the London School of Economics by "laymen interested in the place of Law in modern communities and its influence on economic and social policy." It ran through four English editions in eight years and obviously a fifth has been needed for some time. It is a comprehensive, if comparatively uncritical, exposition of the law as it existed at the end of 1952, its origins and its machinery, its civil and its criminal branches; and it is certain that the need for it cannot be less than it was in 1928.

BUTTERWORTH'S COMPANY PRECEDENTS. Volume 3.
Butterworth. 689 pages. 63s.

The third volume of this massive publication sets out the legal procedures and precedents to be used when the capital of a company is to be reduced, when any schemes of reconstruction and amalgamation are put forward, when a company is to be wound up and when action is taken by debenture holders in a company. It will be invaluable for lawyers.

PAPERS IN ENGLISH MONETARY HISTORY

Edited by T. S. ASHTON and
R. S. SAYERS. 18s. net

Owing to wartime circumstances, some of the most important recent contributions to English monetary history have been overlooked or have become extremely scarce. The intention of the editors of this volume is to make these and certain other short studies more generally available. Six of the papers relate to developments and controversies of the late 18th and early 19th centuries; two to the Bank Charter Act of 1844; and two to the pre-1914 Gold Standard. The remaining item consists of delightful letters written during the crisis of 1825. The authors represented are Barrett Whale, Frank W. Fetter, J. K. Horsefield, T. S. Ashton and R. S. Sayers.

OXFORD
UNIVERSITY PRESS



Banking circles the globe

BUSINESSMEN with foreign interests need a bank whose services circle the globe. The National City Bank of New York, with 56 overseas branches and banking correspondents in every commercially important centre, is well equipped to offer such services.

The London branches of The National City Bank are staffed by men who are experienced not only in British banking but also in the financing of overseas trade. They are, also, uniquely equipped to advise on trade with the dollar countries.

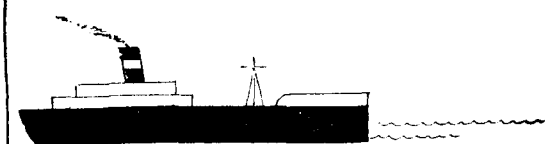
Wherever your interests lie, the worldwide organization of The National City Bank is at your service.

THE NATIONAL CITY BANK OF NEW YORK

Incorporated with limited liability under the National Bank Act of the U.S.A.

HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES—CITY: 117 OLD BROAD STREET, E.C.2. WEST END: 11 WATERLOO PLACE, S.W.1



Two-Way Banking Service for Two-Way Trade



It's a two-way banking service provided by Chase in London—service to British business interests dealing with the United States and service to American exporters in British markets as well as American importers buying British products.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Incorporated with limited liability under the laws of the U.S.A.

LONDON: 6 Lombard Street, E.C. 3
46 Berkeley Square, W.1

ONE OF THE OLDEST NAMES IN INTERNATIONAL BANKING



CHARTERED 1799

Bank of the Manhattan Company

40 WALL STREET · NEW YORK, N.Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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.

Vulnerable America

Washington, DC

FOR the past six months the Alsop brothers have been demanding in their syndicated column that the United States take seriously the problem of its own defences against atomic air attack. Like Old Testament prophets crying in a wilderness of normalcy, they have been drawing public attention to the existence of a supposedly top secret study made last year for the National Security Council, known as Project Lincoln; this suggests that American defence against air attack is wholly inadequate, that in another two years the Soviet Union will have the capacity to deliver a "devastating" attack upon American industry, and that a vast programme of fighter, radar and rocket defences must be undertaken to provide even minimum protection to the industrial areas. Yet throughout the summer both the public and the Administration have engaged in their conventional pursuits, catching rainbow trout or playing golf, their sleep apparently undisturbed by these dire warnings.

However, since the beginning of July, and particularly since Mr Malenkov's announcement that the Soviet Union had set off a hydrogen explosion, there had been a quickening of public interest in the whole question of the vulnerability of the North American continent, and in the premises underlying the deep-rooted American belief that the United States has an overwhelming superiority in atomic weapons. Although it is generally assumed that neither the United States nor the Soviet Union has a hydrogen bomb that is already packaged for delivery, the comfortable assumption that the United States has a four-year lead in atomic weapons, which was still the official calculation as late as the beginning of this year, can no longer be maintained even by the most determined optimists.

The consequent soul searching has shown that there are three different elements in the question of whether American atomic and defence plans should be revised, although not frequently they are confused. The first, a psychological one, concerns information policy. Should the strict secrecy of all questions of atomic weapons be modified so that the American people could be given some indication of the relative sizes of the American and Russian stockpiles? This would enable the American public to judge the nature of the danger, and provide the rest of the world with a factual indication of American strength in this field. The second is a security question. To what extent will the pouring of data on atomic weapons, and possibly on more fundamental questions of atomic energy, with Britain and

the more responsible North Atlantic allies contribute to a strengthening or weakening of the security of the United States? Finally, there is a political question. If a vastly expanded air and civil defence programme must be undertaken to protect the American "heartland," to what extent is the American public prepared to pay for it? Is the Republican Administration going to put a balanced budget ahead of radar pickets and deep shelters?

★

On the first question, although the debate is not yet concluded, there is an impressive body of opinion in favour of revealing more information. When he retired at the beginning of July, Mr Gordon Dean, the former Chairman of the Atomic Energy Commission, strongly advocated a relaxation of the secrecy surrounding American atomic strength. In the July issue of the quarterly magazine, *Foreign Affairs*, Dr Robert Oppenheimer, the great paragon of American atomic scientists, who is still an adviser to the government on nuclear policy, made a most impressive plea for greater candour in informing the American people about atomic weapons and developments, for sharing some information with the allies and for taking more vigorous measures to create a workable air defence system. This has been followed up by arguments along the same lines by Mr Paul Block of the *Toledo Blade*, the leading expert on the subject in journalism, and by Dr Ralph Lapp, who was the Atomic Energy Commission's Director of Research and Development. Dr Lapp argues that the majority of experts familiar with the subject want to see more information made available from the secret files of Project Lincoln and Project East River (a study of civil defence), including the approximate size of the American stockpile and an estimate of the Russian one; estimates of the strength of the long range Soviet Air Force and of the effectiveness of current American defence plans; and information on destructive effect of nuclear weapons.

Ranged against this view is, or appears to be, the new Chairman of the Atomic Energy Commission, Mr Lewis Strauss, whose advocacy of extreme secrecy led him to oppose, three years ago, the shipment of radio-active isotopes to a Norwegian military hospital, and whose views seem to have changed little since. He is joined by another of the four commissioners, Mr Eugene Zuckert, who said in a recent broadcast: "From the standpoint of national security we are giving the American people all the information they really need." Despite the absurdities of the

present security system, which sometimes leads to the withholding from one military planner of facts known to his next door neighbour, which would radically affect his calculations, the policy of "secrecy in depth," that it is better to tell too little lest too much be accidentally divulged, still has many advocates in the Administration, in Congress and in the nationalist section of the press.

However, the decisive vote will have to be cast by the President himself. He made it clear, in a press conference earlier in the summer, that he believed that the United States should make available to its allies and the American people more information both on its own atomic weapons and on its estimates of the Russian ones. It is considered likely that when he returns from Denver one of his first major speeches will deal with this subject.

The question of sharing some information on atomic weapons with Britain and the North Atlantic allies is one that has been on the agenda for a longer time, and is more difficult. While no one could prevent the President from divulging what are at present administrative secrets, discussions with another power about any aspect of atomic energy, in however confidential a manner, are explicitly prohibited by the Atomic Energy Act of 1946. Although General Bradley tirelessly advocated revision of this section of the Act during the last year of his chairmanship of the Joint Chiefs of Staff, and returned to the charge in his recent articles in the *Saturday Evening Post*, there has been no very great support for the idea either in Congress or the press, and there are many determined opponents of it. While Dr Oppenheimer has said that

it is unfortunate that so talented and hard pressed a country [as Britain], so close to us in history and tradition, should be doing all this separately,

it cannot honestly be reported that the development of Britain's atomic bomb or the announcement of its new strides forward in guided missiles have greatly affected the arguments of Messrs Strauss and Zuckert, and their supporters. The new Chiefs of Staff will have to throw their full weight into the balance if they are to achieve a relaxation of the Act during the coming session of Congress.

★

Finally, there is the even thornier question of the defence of the North American continent against an atomic air attack. This can no longer be considered merely a theoretical possibility, which can be left to some future Administration to deal with. The axiom on which American planning has proceeded until now is that the best defence is offence, and that a strong strategic Air Force capable of dropping the atom bomb upon the Russian industrial cities is the best investment in its own defence that the United States can make. The Air Defence Command, which has been in operation for only two and a half years, is still very much the lame sister when it comes to aircraft priorities. The Civil Defence Administration, despite the energetic protests of its head, Mr Val Peterson, was voted only \$38 million this year by Congress or about .01 per cent of the military budget. (The programme is, however, largely a state one.) Two separate studies—Project Lincoln and the Kelly report—are said to agree that some \$17 billion would be necessary to provide an adequate air defence system in two years, while a third, Project East River, is similarly reported as considering some \$7 billion necessary to create an adequate civil defence system against atomic attack.

There are two kinds of conflict which at present bedevil any decision. The Strategic Air Command, still convinced that the power to retaliate is the best deterrent of aggression, fights tooth and nail against any diversion of limited resources to Air Defence, or to the Army's guided missile programme. All the Services join forces to oppose the very large investment in a foolproof early warning system which alone could give a civil defence system which has not the resources to build deep shelters the three or six hour breathing space needed to evacuate the great cities and industrial concentrations.

The other tug-of-war is between Mr Dodge, the Director of the Budget, who, with the Republican leaders in Congress, is intent on cutting federal expenditure and the civil defence authorities who are now thoroughly aroused to the vulnerability of the North American continent. It is only the President who can end this struggle. He will have to decide whether to rely on his military judgment or to practise his new learnt lessons in financial orthodoxy. There is every indication that the former will triumph.

TV Goes to the Ball Game

FROM A SPECIAL CORRESPONDENT

"BASEBALL," said Mr Wrigley of chewing gum fame, "is too much of a sport to be a business and too much of a business to be a sport." However, the sporting side must have been uppermost in his mind when he bought a leading baseball team, the Chicago Cubs, for he explained that he was merely giving himself a hobby. He could hardly pretend that he was investing in a sound financial undertaking, since those who have studied the balance sheets of the baseball industry have described it as the worst-run big business enterprise in the world.

The Supreme Court also upheld the view that baseball is a sport rather than a business, and was therefore not subject to the anti-trust laws since it was not concerned with inter-state commerce. But this was thirty years ago, and since then the business aspects of baseball have been developed by the exploitation of the game's by-products. This is especially noticeable in connection with sales of wireless and television rights to commercial advertisers. Baseball games are now regularly broadcast across state boundaries and organised professional baseball is once again being challenged in the courts as a monopoly.

This season a leading club, the New York Yankees, has made \$600,000, far more than even its very heavy payroll, out of the sale of the broadcasting rights over its games to beer and cigar manufacturers. Yet neither the owners of this team, nor those of the other teams which sell such wireless and television rights, are sure that it is a practical proposition. They are uncertain whether the revenue from television makes up for the loss of gate money from the fans who might have paid to see the game in person if it had not been available free on their television screens at home. There is a hidden loss as well, the 30 cents which each average visitor to the ball park pays out for hot dogs, soft drinks, parking space and other extras. In recent years, in spite of broadcast revenue, half of the 16 teams in the two major leagues have been operating at a loss; these are usually the ones which have been having a poor season

since the fans are not much interested in paying to watch the teams at the bottom of the leagues.

Doubts about whether television represents a net gain have been encouraged by the fact that the Milwaukee Braves, the only major team that does not allow its games to be televised, is getting far better attendances than any of the others in the major leagues. But this is at least partly explained by the abounding enthusiasm of the fans in Milwaukee, stimulated by having a leading team resident in their city for the first time this year. The Braves permit wireless broadcasts, but no one suggests that these undermine attendances; in fact it is acknowledged that, by whetting listeners' appetites, wireless broadcasting has drawn many of them to the ball park. The fear is that television, by giving viewers so much more, is giving many of them all they want. It is significant that attendances at major league games have been steadily declining since the peak postwar period, in inverse ratio to the growth in the number of television sets.

The increase in the number of television sets has, of course, meant an equivalent increase in the value of television rights. Eight years ago, when there were only 1,000 television sets in Washington, the local team, the Senators, sold the season's television rights for \$10,000 and the radio rights for \$75,000. This year, with 350,000 television sets in the city, the combined rights were sold for \$265,000, with the wireless rights bringing less than one-third. Yet the Senators doubt whether this will be adequate to compensate for the possible drop in gate money.

★

The baseball industry has spent over \$50,000 in making surveys of the effect of television on attendance without as yet finding any satisfactory solution. The obvious answer would be to allow only the televising of games played away from home, when local fans would not be able to attend in large numbers in any case. But the high cost of lines to carry the programme back to the home television station makes this remedy impracticable; line charges even for home games come to more than \$500 a time. Sponsors would hardly carry the extra expense, since they are already complaining of the strain on their advertising budgets and are sharing their baseball television rights with other firms.

There is one way in which television is proving a direct drain on the profits of the major teams. When these experts can be seen on the television screens, fans do not bother to go to the local baseball games played between the 284 teams belonging to the 38 minor leagues. In the last three years attendance at such minor games has dropped by 25 million and the number of minor clubs by a third. Many of these clubs belong to the owners of major league teams, who thus find themselves losing on the minor swings much of the television money they have won on the major roundabouts.

Furthermore they have used the minor leagues as places to develop new players for the major teams comparatively cheaply, and this flow of talent is being cut off by the collapse of the minor teams. This shortage of new baseball players has put up their price, for the industry is now forced to compete furiously for school and college stars even though they have not been seasoned by professional experience in the minor leagues. High school students are being paid bonuses of \$80,000 for signing contracts and the rich Boston Red Sox have spent \$500,000 within the past year tying up the

men who are thought to be the best school and college players available. It is only since television came to baseball that such bonuses have been necessary. Altogether it is not surprising that the alarmed owners of big league clubs are demanding that the television cameras be turned out of the ball park.

American Notes

Mr Vinson's Successor

THE unexpected death of the Chief Justice, the highly respected and greatly liked Mr Vinson, who had experience in all three branches of the government, has cost the President a personal friend and counsellor and created a somewhat embarrassing vacancy. Less than a week earlier, when the popular Republican Governor of California, Mr Warren, announced that he would not run for a fourth term in 1954, an anonymous White House source confirmed the rumours that he would be offered the first vacancy on the Supreme Court. But that was before it was realised that the opening would come so soon—Mr Warren has more than a year to serve as Governor—or that it would involve the Chief Justice's post.

The assumption had been that Mr Warren, in due course, would take the place of Justice Frankfurter, who is past the permissible retiring age of 70, and might be persuaded to step down in order to allow Mr Eisenhower to begin to redress the political balance on the court. After twenty years of Democratic rule, only one of the nine Justices, Mr Burton, is a Republican. Mr Warren, a progressive who enjoys a substantial Democratic, as well as Republican, following in California, and who was one of Mr Eisenhower's rivals for the Republican nomination, would be certain of broad support. He has, however, had no experience on the bench. Neither has Mr Dewey, the Governor of New York, who won his legal spurs as a prosecuting attorney, and is the other leading Republican light whom Mr Eisenhower would like to honour. Mr Dewey, however, unlike Mr Warren, may well prefer not to be extinguished, politically, by elevation to the Supreme Court.

Lack of judicial experience is no bar to the appointment of an Associate Justice. Surprisingly, and perhaps rather disturbingly, most of the present Justices had no experience of the bench before their appointments. But the Chief Justice is another matter. Logically, the President might be expected to promote one of the eight Associate Justices, but Mr Burton, the sole Republican, is hardly qualified, and none of the Democratic Justices is so outstanding as to justify the President in over-riding party considerations.

This is not the only judicial appointment, though it is by far the most important, which will give the President thought. Prominent judges and lawyers are strenuously opposing the suggestion that a vacancy on the influential second circuit of the US Court of Appeals, which covers

New York, Connecticut, and Vermont, should go to a political candidate, ex-Senator Danaher, who campaigned for Mr Eisenhower last year. In their view, the appointment has been earned more legitimately by Connecticut's senior US District Judge, Mr Carroll Hincks, who has served for over twenty years.

Expansion Under Review

ACCORDING to the Secretary of Defence, the Air Force's decision to do without almost 1,000 aircraft, over half of them fighters, which it had previously planned to buy, is not the result of economy but of a reassessment of needs. The truce in Korea means that fewer fighter aircraft will have to be replaced than had been expected and some at least of the money saved, nearly \$1 billion, will be spent on more up-to-date models. The planned expansion of the Air Force, to 120 wings in 1954, will not, it is said, be affected, for the planes involved were not to have been delivered for two years or more; most of them had not even been ordered.

There is, however, no attempt to suggest that the change in stockpiling policy, announced on the same day, will not delay, perhaps for several years, a programme that was also supposed to be completed in 1954. Here economy is admittedly the main consideration, although it has been facilitated by the relaxation of international tension which has made it seem less urgent for the United States to build up reserves of strategic materials that come from overseas. Here, too, actual requirements have been altered by scientific and industrial developments. The growing importance of guided missiles and electronic equipment, for example, means that no slowing down is being considered in purchases of such alloying metals as nickel and cobalt, which are being given the highest priority.

There are now almost enough reserves of more than half the 78 items on the present stockpiling list and about four-fifths by value of the complete programme was either on hand or under contract at the end of June. Future buying of the remaining items is to be concentrated on those considered most vital to the national defence. Purchases of the others will only be made gradually, at least until the stockpile objectives have been reviewed, in order not to interfere with the needs of industry and to lessen the impact on the commodity markets of the eventual cessation of stockpile buying. Existing long-term contracts are to be completed but such future contracts as are made—there is only \$190 million available for them and for spot purchases this year—are not to run for more than one year, except where they are needed to induce producers to expand their capacity.

Another government programme which encouraged the expansion of capacity, for industrial as well as raw material output, is also being reviewed. This scheme, under which the cost of new facilities for all types of defence production could be amortised for tax purposes in five years instead of twenty or so, is much nearer to completion than is the stockpile. Details have not been published, but almost all the goals set for 233 industries, from copper mines and steel mills to electricity facilities and railway engines, are now said to have been met.

Hot Work for McCarthy

WHILE everyone else of consequence from the President downwards is away on holiday or mending political fences, Senator McCarthy has been working on in the record-breaking heat of Washington and New York and obliging news editors with a much-needed daily headline. Even the distraction of being himself investigated has been at least partially removed. The Department of Justice has apparently decided that the Senator cannot be indicted for fraud on the basis of the evidence published by a Senate sub-committee, so that it looks as if he will escape unscathed, unless the curiosity of the federal tax collectors has been sufficiently aroused by the details of his bank accounts included in the sub-committee's report.

Whatever his secret anxieties about his own position Mr McCarthy has not hesitated in the last few weeks to widen the circle of his powerful enemies or to challenge principles that are deeply held. His method of questioning the editor of the *New York Post*, Mr James Wechsler, led four fellow-editors to affirm their conviction that:

The noblest Senator that ever lived cannot interrogate the meanest editor that ever existed, under the auspices of government power, without putting in jeopardy the people's right to a free press.

Since one of the four was the managing editor of the *Washington Post*, the Senator demanded an inquiry into the unethical practices of that paper in attacking him in its leader columns.

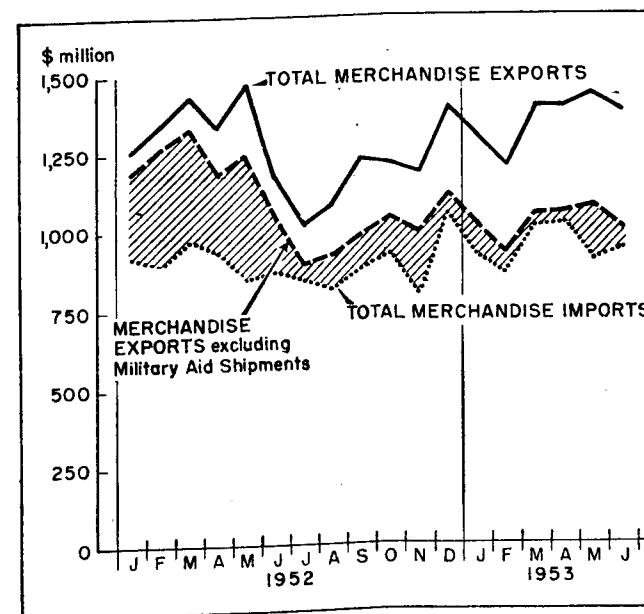
His next challenge, an attack on the right of the government to keep its confidential files to itself, seems likely to involve the authority of the President. It arose when, after forcing the Government Printing Office to go back on a wartime security basis, he moved to New York to do battle with the Army. A security guard and two quartermaster clerks confessed their Communist sympathies to him. So he demanded to see the records of the loyalty panel which had cleared them. The Army, standing on its regulations, refused and, if Mr McCarthy persists, the President may have to give a ruling on an issue which has been fought out before between Congress and President, with no President yet having given way.

A new security scheme for all departments is at present being worked out by the Attorney General, who claims that it will stand up to congressional inspection provided he is given a year free from outside interference to put it into effect. Senator McCarthy seems unwilling to allow him this, perhaps because he thinks the Administration might otherwise discover without his assistance those undesirable civil servants who slipped through the net of the old loyalty programme.

Vanishing Gap

SINCE the beginning of the year, the excess of American commercial exports over imports has all but disappeared, although exports as a whole seem likely to reach a new peak in 1953. As the chart shows, when military aid shipments are excluded, the merchandise

accounts of the United States are virtually in balance. For the half year, with exports at \$6.1 billion and imports at \$5.6 billion, the export excess was a mere \$500 million, compared with over \$1.8 billion in the first six months of 1952. Indeed, on the ground that a certain amount of economic aid is included in the commercial exports, some experts believe that there was a slight import surplus. In



any event, it seems certain that the merchandise trade of the United States will be closer to a balance this year than it has been since the nineteen-thirties.

Many Americans appreciate that this is no cause for congratulation. Although imports are slightly higher, the gap has been closed chiefly by the choking off of exports, which in the six months ended in June were 14 per cent lower than they had been a year earlier. The chief victim, as Mr Benson, the Secretary of Agriculture, knows to his cost, is the farmer. In June, agricultural exports were 20 per cent lower than they had been in June, 1952. Wheat flour, with a 55 per cent drop, and cotton, with a 25 per cent one, suffered the dizziest declines. Wheat and cotton growers are, of course, much more dependent on exports than the economy as a whole, which sells only from 8 to 10 per cent of its product abroad. But in many industries, exports mean the difference between profit and loss. The practical demonstration to farmers and businessmen that the United States cannot hope to sell more abroad than it buys should strengthen the hands of those who are trying to turn the Administration and Congress in the direction of a more liberal trade policy.

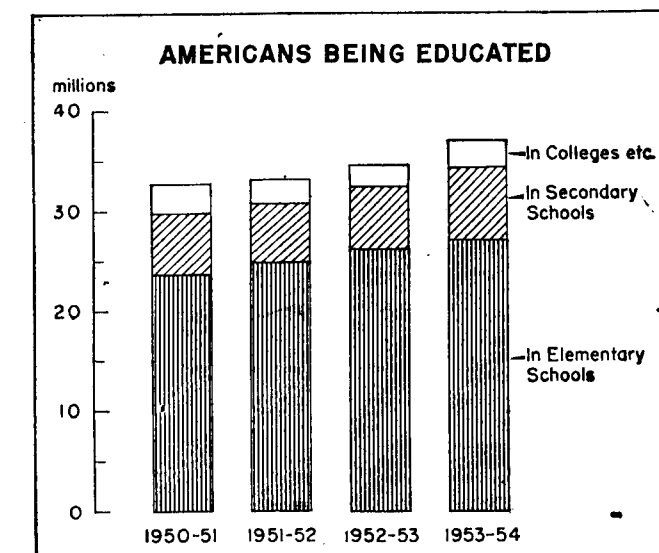
Flooding Into School

WITH the Labour Day holiday over, the pupils are flocking back to America's schools and universities; by the end of this month it is estimated that nearly 37 million students, almost a quarter of the population, will be enrolled in the country's various educational establishments. The tide of war and postwar babies continues to swamp the elementary schools; it was supposed to reach its peak last year, but a record number of three million children are

going to school for the first time this autumn. After next year the rate of increase will begin to fall off, although the total number in the schools will probably go on rising until 1960, by which time it is expected to be 10 million more than at present. The flood of elementary school children is now beginning to seep into the secondary schools and before long they too will be struggling to keep their heads above water. Even the universities are sharing this year's unprecedented demand for education, with registrations going up for the first time since the exservicemen from the last world war completed their studies. Now the Korean exservicemen are coming to college, although so far not with the same enthusiasm as their predecessors, perhaps because this time the government's educational grants are not so generous.

In this situation local authorities, even though they spent a record \$7.5 billion on education last year, are finding it almost impossible to make any impression on the perennial shortage of classrooms and teachers. The Republican Administration in Washington has apparently no intention of helping them except in those areas where the problem has been accentuated by army camps, atomic energy installations or other increases in population for which the federal government is directly responsible. New classrooms are being built at the rate of 50,000 a year, but double that number are required in each of the next seven years to meet the increase in pupils and to replace the obsolete and insanitary buildings which were allowed to accumulate during the depression and war years.

The present shortage of schoolrooms is put at 345,000, quite apart from overcrowding in existing accommodation,



Estimates of enrolments in public and private institutions during coming academic year made by US Office of Education in September of each year.

and of teachers in elementary schools at 72,000. By 1960 another 425,000 schoolrooms will be needed and perhaps 200,000 more teachers; only 47,500 were qualified last year, while some 70,000 left the profession. Average salaries went up during the year from \$3,240 to \$3,400 but even so are far below the general wage level. This was publicised recently, when a teacher earning \$85 a week resigned to become a lorry driver for a brewery at \$137.50 a week. So far it is mainly the elementary schools that lack teachers, but as the flood of pupils reaches the secondary

schools, so will the shortage of teachers. And in these schools the present expedient of using unqualified or ill-qualified instructors will be even more unsatisfactory than it is in the elementary schools.

Fitting Insurance to the Car

AUTOMOBILE insurance companies, rather unexpectedly, are usually bitterly opposed to making third-party insurance compulsory. They point to Massachusetts, the only state which does, as a horrid example of the inflation of claims and deflation of rates which follow state intervention. Their most recent victory was over Governor Dewey, who failed to persuade the New York State Legislature last year that the 5 to 10 per cent of the state's drivers who do not carry insurance should be required to. Nevertheless automobile insurance rates are coming down, for the first time since the war, and after seven increases, under the stress of competition. The two major rating groups, the National Bureau of Casualty Underwriters and the Mutual Insurance Rating Bureau, have agreed to a new classification of automobiles and their drivers which will mean lower insurance costs for about half of all motorists.

The main aim of the scheme is to win back the best risks who have been finding it profitable to buy their insurance

from other companies, particularly from the Allstate Insurance Company, a subsidiary of Sears Roebuck, the great mail order house and second largest retailer in the country. By dividing motorists into 32 classifications, Allstate has been able to cut premiums for the safer drivers and to build itself into the largest single seller of automobile insurance.

The extension of this system, with most of the underwriters now prepared to recognise seven classifications instead of three, and fit the rate more precisely to the risk, seems likely, however, to reduce an accident rate which kills 35,000 Americans each year and injures 2,000,000 or more. Its most interesting feature is the penalty placed on those who drive to work; those who drive more than ten miles pay even more heavily. If this succeeds in persuading more owners to leave their automobiles at home during the rush-hours, and take to public transport, the number of accidents should fall. More carefully classified penalties are also now to be visited on the driver under 25, who not only is 60 per cent more likely to have an accident than his seniors, but also usually has a more serious smash. Those who live at home and only have limited use of the family car are let off relatively lightly, as are married couples under 25. But for the rest, the cost of insurance will be more than twice that for cars used by adults—\$310 a year. In many cases this may be more than the cars they drive cost. It may be, of course, that this will simply mean more uninsured cars on the road—but in New York, at least, insurance is compulsory for drivers under 21.

The World Overseas

Report on Europe

THIS year's survey prepared by the Organisation for European Economic Cooperation (OEEC) for the Council of Europe opens with a general review of economic conditions in western Europe. It describes first the encouraging tendency of production to rise after a long interval of stagnation in 1952; during the second quarter of the current year industrial production rose some 3 per cent compared with the same period for 1951 and 5 per cent compared with that of 1952. Holland showed the most notable improvement and western Germany continued its steady expansion.

There are also favourable developments to report in the foreign trade of the west European countries. The total foreign trade deficit fell from \$1,607 million in the first quarter of 1952 to \$1,195 million in the corresponding quarter of 1953—a decline due largely to better terms of trade. Of the fall of \$412 million, \$300 million was the result of lower import prices. As noted earlier by the

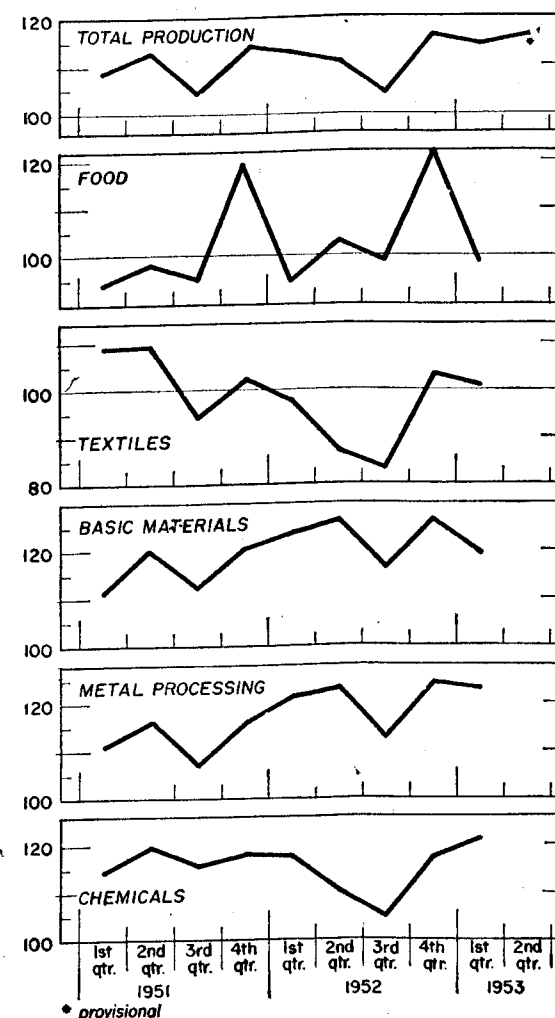
Economic Commission for Europe, the dollar gap, too, has shrunk. The trade deficit with the United States and Canada declined from \$1,713 million during the first five months of 1952 to \$597 million during the same period of 1953. However, the warning, implicit in the report's statistical tables (reproduced on the next page) is that the present balance is precarious; exports, apart from those to North America, are now less by volume than they were, and any upsurge in production will call for correspondingly bigger imports.

Perhaps the most interesting chapter of the report is the one that reviews the progress of trade liberalisation—the programme, launched in 1949 at British instigation, which aims at gradually eliminating quantitative restrictions on private trade between the member nations. By now all participants are pledged to free from such restrictions at least 75 per cent of their imports on private account. In fact, seven countries, which together account for about 50

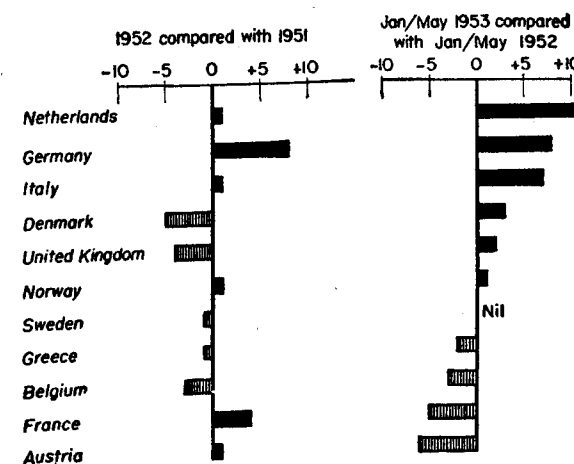
Production and Trade of OEEC Countries

INDUSTRIAL PRODUCTION

INDEX NUMBERS: 1950 = 100
(All OEEC Countries Combined)

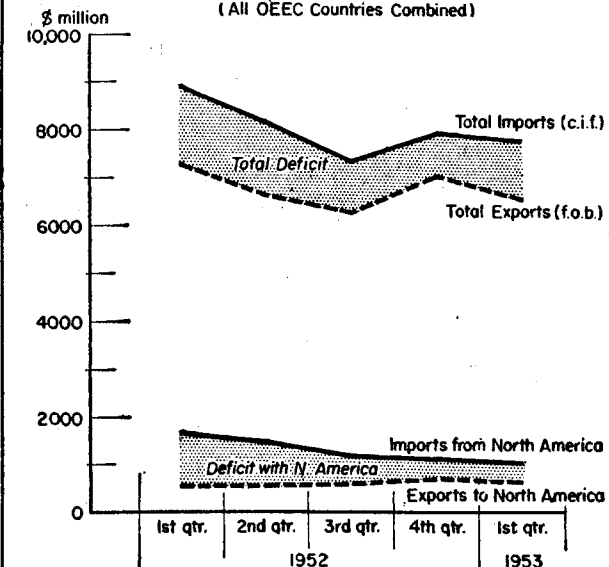


CHANGES IN PRODUCTION
(Percentage Increase or Decrease)



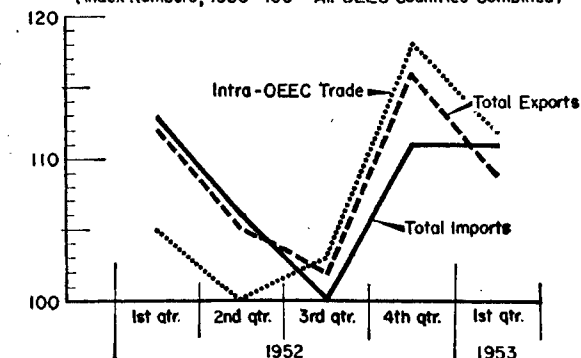
FOREIGN TRADE

THE TRADE GAP
(All OEEC Countries Combined)

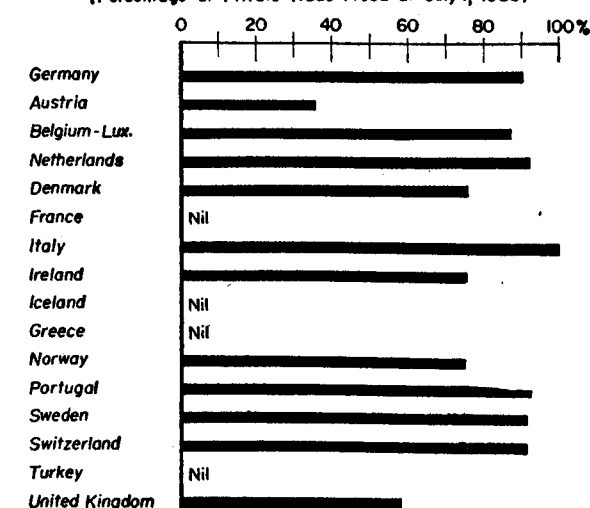


VOLUME OF TRADE

(Index Numbers, 1950 = 100 - All OEEC Countries Combined)



LIBERALISATION OF TRADE
(Percentage of Private Trade Freed at July 1, 1953)



per cent of intra-European trade, have done much better than this: Italy (99.7 per cent), Portugal (92.4 per cent), Holland (92.3 per cent), Sweden (91.4 per cent), Switzerland (91.5 per cent), Germany (90.1 per cent), Belgium-Luxembourg (87.2 per cent). The delinquents are Britain, although it recently increased its liberalisation from 45 per cent to 58.5 per cent and a group of countries including France, Turkey and Iceland whose degree of liberalisation, because of balance of payments troubles, is nil.

OEEC on this occasion has gone further and has tried to analyse the extent of liberalisation in the various commodity groups. The results are very much what one would expect. Among those countries which have applied liberalisation, raw materials are now almost entirely free of quantitative restrictions. The record is less impressive for manufactured goods. Here, the seven countries with the best all-round achievement, have liberalised from 88-99 per cent of their imports of manufactured products. For the United Kingdom, the figure is only 65 per cent.

Where food and agricultural products are concerned, the picture is disheartening. Not only is government trading still strongly entrenched in this sector, but also the degree of liberalisation on private account is little more than 60 per cent. The commodities bought by governments are frequently the major ones—cereals, sugar, oils and fats, butter and meat. Moreover, even in the absence of government trading, these commodities, together with potatoes, fresh fruits and vegetables, eggs and wine, are often subject to quantitative import restrictions. The reasons for this poor progress toward liberalisation in agricultural products are, of course, rooted in political and social considerations; but as OEEC points out, it is sometimes equally difficult politically for countries which are large exporters of agricultural products to liberalise their imports of industrial goods.

The report adds two cautionary notes. Some of the countries with the highest degree of liberalisation—Germany, for instance—have retained very high tariff barriers particularly against food products. Until these are scaled down, liberalisation is something of a misnomer. The second warning has to do with the still precarious balance of payments position of some of the member countries. Italy, for example, with the highest percentage of liberalisation in western Europe has lately become a debtor instead of a creditor within the European Payments Union (EPU). Plainly there are fears—voiced very strongly in the accompanying report of the EPU Managing Board—that any precipitate move toward convertibility might compel such countries as Italy to reverse their policy of liberalisation. These countries can only be asked to contemplate convertibility after some of their reluctant customers—for example, Britain and France—have taken bigger steps in the direction of complete liberalisation.

The Paradox of Pella

FROM OUR ROME CORRESPONDENT

THE Italian Prime Minister's "energetic" reaction over Trieste seems to have surprised those foreign observers who saw in Signor Pella the moderate, the Italian Cripps, the expert technician whose aim, as befitted a caretaker prime minister, was to drive through a batch of highly necessary fiscal and financial reforms and who had made

such conciliatory gestures to the Left as the abandonment of the previous administration's electoral law. In the same vein commentators stressed his independence of the Christian-Democrat party machine. Signor Pella, it was said, was *au-dessus de la mêlée*. Hence his success. The inflexible Signor De Gasperi, who hated the extreme Right and Left as much as they hated him, had paid for his identification with his party by the failure of his coalition at the polls and by the subsequent desertion of his erstwhile allies, in particular the Saragat Socialists. Signor Piccioni, too, backed and rigidly controlled by the party machine, failed to form a new government.

Such an analysis errs on one point only. It was not just Signor De Gasperi who was defeated on June 7th. It was his conception of government by the Centre without support from either extreme. But the coalition gained such a narrow majority that it could not hope to govern without buying the support or toleration of one or other extreme group. Signor Saragat's demand for an "opening to the Left," which would have involved the entry of the fellow-travelling Nenni Socialists into the government, not only weakened what was left of the Centre but ensured that the new government, which could not possibly agree to those terms, would look to the Right. What price Signor Pella must pay for support from that quarter remains to be seen. In the meantime, the mere fact that after an election in which the Left scored considerable successes, he should remain faithful, though with greater efficiency and diplomacy, to De Gasperi's domestic policy means that he has moved noticeably to the Right.

Bitterness Over Trieste

Much the same shift in the government's course has been registered in foreign affairs. It is simplifying the issue to suggest that Signor Pella is merely playing to the gallery. Whether we like it or not, Italian resentment at the humiliation of defeat in the last war is focused on Trieste. Since Marshal Tito's desertion from the Cominform, the Allies' inability to implement the 1948 Tripartite Declaration has enabled the neo-Fascists and the Communists to accuse the government of standing idly by while Italians are oppressed or driven out of the Zone B by the Yugoslav government. Italians are particularly bitter at a situation in which the Yugoslavs have for all practical purposes annexed that zone, while Zone A continues to be administered by the Anglo-Americans, albeit with the assistance of Italian personnel; and they attribute Tito's increasing intransigence to the constant improvement of his relations with the West. The Communists seize on the opportunity to demonstrate that the Allies have sold Italy down the river, while the Right hankers after a march on Zone A, which would clearly come up against the Anglo-American occupation troops. Even the moderate *Corriere de la Sera* has contained bitter words about the guns sent by America to Tito for use against Italy.

Placed in this delicate position, Signor Pella had, broadly speaking, the choice between two policies. He could indulge in martial gestures on the lines of the Right wing parties' policy and agitate for Italian control of Zone A or he could place his case before international public opinion with a demand for a plebiscite in both zones. The latter policy, which is commanding increasing support, has been backed by the Saragat Socialists and the moderate parties in Trieste itself. But it would not be acceptable to Marshal Tito. The spectacular moves of troops and warships to the



It's no fantasy!

higher mileage

is a REALITY!

Thousands of motorists throughout the country have proved it beyond all doubt—you get far higher mileage from the AVON H.M. Thus day-to-day motoring triumphantly confirms years of Avon research—on unique testing machines and over 1½ million miles of roads. Lower the cost of your motoring. Fit AVON H.M. all round and enjoy the real economy of this remarkable higher mileage tyre.

Send for illustrated folder "The Story Behind the Greatest Development in Car Tyre Construction", free on request to The Avon India Rubber Co. Ltd., Melksham, Wilts.

AVON H.M.

HIGHER MILEAGE Avon's thicker and deeper tread gives many thousands of extra miles.

GREATER GRIP The wider Avon tread gives more road contact, extra bite.

BETTER BRAKING Centre traction bars and multiple slots give extra stopping power.

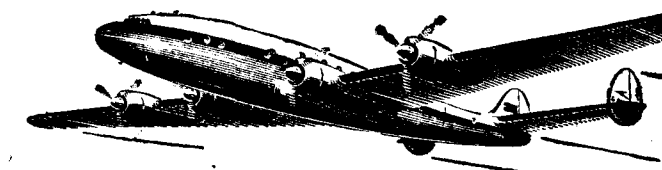
EXTRA SAFETY Immensely strong casing and buttressed shoulders make this the safest tyre ever built.

NEW BOAC TOURIST SERVICES

STARTING OCTOBER TO

CARIBBEAN IRAQ PERSIAN GULF

PAKISTAN INDIA CEYLON



Now more people can afford to get there sooner by air

With the extension of B.O.A.C. Tourist services further and further across the world, more people can afford to fly and save days, sometimes even weeks of valuable travelling time!

These new services are additional to B.O.A.C. Tourist services at substantially lower fares to:

UNITED STATES • CANADA • MALAYA
HONG KONG • EAST AFRICA • MIDDLE EAST

Fully pressurized 4-engined airliners are operated on all Tourist services and the same high B.O.A.C. standards prevail. Meals are complimentary—no tips or extras.

Also commencing in October!

SOUTH AFRICA

Tourist services operated by S.A.A. in association with B.O.A.C.

WEST AFRICA

Regular B.O.A.C. Tourist services to Kano, Lagos and Accra.



Book where you see this sign or at B.O.A.C., Airways Terminal, Victoria, S.W.1 (VIC 2323), 75 Regent St., W.1 (MAY 6611) or at offices in Glasgow, Manchester, Birmingham and Liverpool.

B.O.A.C. TAKES GOOD CARE OF YOU

FLY BRITISH BY **B.O.A.C.**

BRITISH OVERSEAS AIRWAYS CORPORATION

A NEW SOURCE OF OXYGEN

*A personal message from the Chairman of
The Butterley Company Limited*

The importance of oxygen as a factor in the smooth running of many works is fully recognised. Indeed it is as vital as the power supply, and any interruption of its availability might well cause a costly breakdown of production. Also, it is an important 'on-cost', and no doubt you have often been surprised when reviewing your consumption figure.

You may feel, as many others are feeling, that some substantial advantages should accrue if your works produced its own requirements, provided this could be done by practical and economical means. It gives me pleasure, therefore, to inform you that my company is now manufacturing oxygen/nitrogen generators, which have long since passed the experimental stages, and, in wide and everyday use, are demonstrating their economical and reliable performance.

This space does not permit me to touch upon the distinctive technical features of this up-to-date equipment, which is available in models and sizes that cover every industrial requirement, but a request made to our Oxygen division will secure for you a copy of our descriptive book **BUTTERLEY HIGH PURITY OXYGENERATORS**. We will welcome you at our stand at the Engineering, Marine and Welding Exhibition, where technicians will be in attendance to explain the characteristics of the small model which will be on display.

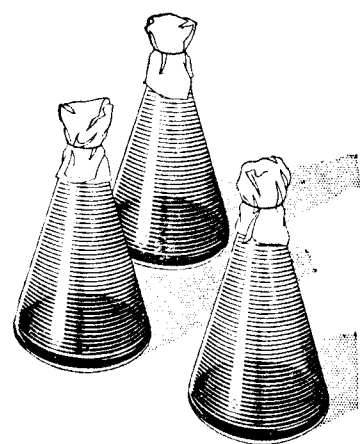
E. F. Knight

BUTTERLEY
OXYGENERATORS

OXYGEN DIVISION

THE BUTTERLEY COMPANY LIMITED
20 Ashley Place, London, S.W.1 • Telephone: Victoria 8023

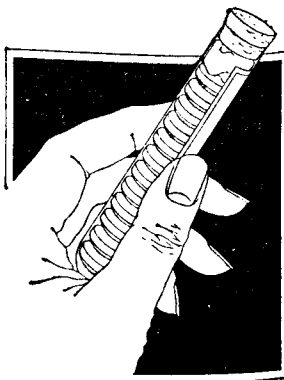
Brown and Polson starch products in drug manufacture



AMONG the most valuable weapons in the armoury of modern medicine are the anti-biotic drugs. An anti-biotic, broadly speaking, is a substance that one micro-organism produces to the detriment of other micro-organisms. Penicillin, the most important of them at present, is produced by the mould *Penicillium notatum* during its growth in a liquid medium. It is particularly effective against 'Staphylococci' bacteria, which, as it happens, resist treatment by sulphonamide drugs.

STARCH PRODUCTS AS MEDIA FOR CULTURES

PENICILLIN is prepared commercially by extraction from *Penicillium* cultures in large tanks of corn steep liquor—the liquid that remains when maize has been steeped in water in preparation for the wet milling process used in starch manufacture. Another valuable anti-biotic, streptomycin, is also prepared commercially by extraction from a culture. The organism that produces it is *Actinomyces griseus*, and the medium for the commercial cultures is a 'broth', the main ingredient of which is a starch product called dextrose.



A CONSULTATIVE SERVICE

The Brown & Polson group of companies manufacture 200,000 tons of starch products per year — 400 different products, bought by more than 80 different industries. Their wide experience is freely available to all who are interested in industrial uses for starch products.

The Industrial Division of

Brown & Polson

THE HOUSEHOLD NAME
OF A SERVICE TO INDUSTRY



THIS IS THE SIGN OF THE BROWN & POLSON GROUP OF COMPANIES

ontier areas are, however, as the independent right wing 'empo has icily pointed out, meaningless in military terms, particularly since Italy's forces are almost entirely dependent on American supplies.

Signor Pella, in a word, has drifted into a policy of countering chauvinism by an appeal to force. The acquittal by a Roman court of the young Fascists who set fire to the British Council offices here during the demonstrations over Trieste last March is a sign of the present temper of the country. Foreign experts would do well to prepare themselves for further shocks. Good intentions on the part of the present government are not enough. And its term of office, based on a working understanding with the Monarchists and the neo-Fascists, is likely to go far beyond the caretaker stage.

Soviet Economy After Stalin—II

Producing for the Consumer

AT first glance it would appear that all the forces of the Soviet economy are now harnessed to carry out rapidly the task of improving the lot of the consumer. This was the pledge which Stalin's successors gave to the Russian public and since Malenkov's recent speech before the Supreme Soviet the emphasis in Soviet propaganda on consumer goods has been strengthened still further. All Soviet papers are full of reports of new textile mills or shoe factories, of gadgets for the housewife, of shortcomings and of drives to improve the quality of goods. Even the *Literaturnaya Gazeta* has introduced a new section, a "goods' review" in addition to its books' review. As a symbol of the new era the arcades of the Upper Row facing the Kremlin will be reconverted into a giant universal store and become once again Moscow's shopping centre. During the quarter of a century of Stalinist planning, when the consumer was the neglected man, these buildings were used as government offices.

On closer scrutiny, however, there are no signs, as yet, of a speeding up of light industrial production beyond the targets originally set before Stalin's death. Nearly two-thirds of Soviet production of cotton textiles is still concentrated in Moscow and Ivanovo-Voznessensk and the mills now mentioned as under construction or put into action have all been scheduled for completion in the current Plan and in some cases in the previous one. The same applies to other factories advertised in the present campaign. Moreover, the targets outlined by Mr Malenkov for this year both for light industry and for the output of foodstuffs fit well into the planned pattern and give no indication of a sudden jump.

This should obviously not be taken as a sign of stagnation. The plan itself foresaw a comparatively rapid increase in light and food industries. Already the average Russian has a higher standard of life than before the war and by 1955, taking into account the rise in population, he should reach the level promised for 1942. Indeed, there is a certain resemblance between the third and the current plan. Both were drawn up after a long period of construction or reconstruction, thus giving the planners an opportunity to grant a bonus to the population. Last time the hopes of the Russian consumers were shattered by the German invasion.

Now they have every chance of being fulfilled, and this by itself would be quite an achievement.

Yet, this is only one side of the picture. The Soviet output of consumer goods does not correspond to the capacity of a country with a powerful engineering industry based on a steel production of 38 million tons. The light industry lags far behind basic production and this discrepancy was perpetuated in the current plan. Engineering production was to be doubled during the five years (1951-1955), while real wages were to be increased by only one-third. In this way the Soviet Union is quickly closing the gap with the industrialised west in economic power, but only slowly in standards of life. Malenkov has promised to quicken progress in this direction, but there are no indications as yet that his words will be backed by deeds.

Possibly the pace will soon be speeded up. With the Soviet Union's present industrial capacity the burden on the country's economy would be incomparably less than, say, in the thirties. Besides, the internal political advantages could outweigh the immediate strategic drawbacks of such a shift. New investments must take time to mature and Malenkov did leave himself an escape clause by stating several times that the fruit would be gathered in "two or three years' time." In the meantime, the Soviet Union may well draw on its stocks and imports to satisfy consumer demand. The Plan itself envisaged a quicker increase in the retail sales than in the production of many consumer goods. This discrepancy has now been widened. The cut in prices and the reduction of the state loan have increased the pur-

SOVIET OUTPUT OF CONSUMER GOODS

	Unit	1940	1950	1952	1953 Plan	1955 Plan
Cotton fabrics.....	mn. metres	3,885	3,815	4,935	5,300	6,140
Woolen fabrics.....	"	120	167	...	200	255
Shoes.....	mn. pairs	205	205	...	241	318
Sugar.....	'000 tons	2,150	2,515	3,055	3,600	4,475
Butter.....	"	207	325	360	400	560
Vegetable oils.....	"	724	775	845	1,077	1,370
Meat.....	"	1,184	1,267	1,632	1,865	2,400

chasing power of the population and resulted in a rise in consumption without a corresponding rise in production. The gap was probably filled by running down stocks. The planners may also be looking for some additional supplies not only to the satellites but beyond the curtain as well. In the long run, however, the standard of life must depend on home production and a big increase will require not only a shift from heavy to light industry, but also the success of the ambitious agricultural plans.

Campaign Against Shoddy Goods

If the new regime is to fulfil its pledges it will have to take care of the quality and variety of goods as well as of the actual volume of production. The present campaign against shoddy goods is not merely a propaganda trick. It springs from deeply felt needs of the Russian people. In the early thirties you could still find in the Soviet Union trousers with legs which did not match or knives not sharp enough to cut bread. After the ravages of the last war the bare-footed, scantily dressed Soviet citizen was grateful for any pair of shoes, or any suit. Now, however, shoddy goods meet consumer resistance. A symptom of this new mood were the first-ever sales held recently on a nationwide scale to get rid of outmoded and sub-standard goods. The managers of light industry and heads of Soviet retail

shops are faced with an entirely new phenomenon—a discriminating customer.

This does not mean in the least that consumer demand has been saturated. The hunger for consumer goods persists, but it is no longer limited exclusively to the bare necessities of life. Large scale production of light industry will have to become more diversified. The biggest demand is probably for furniture and, in view of the acute shortage of housing, for single room suites. The Soviet citizens have begun to clamour for certain comforts—for better pans and crockery, for smarter suits and dresses, for irons and watches, bicycles and gramophones. Something has already been done about it. Thus, for example, watches were an extraordinary luxury in prewar times and *davay chassy* (give your watch) became part of the vocabulary of any country where the Red Army set foot. Now, it is claimed, 26 million clocks and watches have been produced during the last two and a half years. But the demand for such goods in Russia is insatiable. Television sets and cars are still luxury goods for the lucky few; vacuum cleaners and sewing machines can only be hired in privileged towns like Kharkov; and there is already a genuine demand for, say, bicycles and gramophones.

L'appétit vient en mangeant and the appetite of Soviet consumers has now been whetted. Pressure from below may force the planners to go beyond their original intentions. The economy of a country can be measured by two yardsticks: its industrial power and the standard of life of those manning the industrial machine. Russia has shown that it can produce tanks, jets and even hydrogen bombs. It has still to prove its worth as a supplier of consumer goods. A socialist economy by Marxist standards should be based on plenty. The Soviet economy has been built on the utmost scarcity of consumer goods and yet by a curious trick of Stalinist dogma it was claimed that Russia had reached "socialism" and was on its way to "communism." Now an eminent Soviet economist has declared quite plainly that all the measures taken in 1953 are but a first step towards the improvement of the consumer's lot. Previously each minor concession was greeted as an epoch-making revolution. Such sober statements may encourage the Russians to think that something will really be done about improving their standard of life.

(To be Continued)

Storm and Calm in Brazil

DRAMATIC events, barely noticed in the outside world, have taken place in Brazil in the last few weeks. These happenings shed a good deal of light on the problems with which the Brazilian administration has to grapple at the same time as it tries to revive the country's foreign trade and to restore its credit.

President Getulio Vargas is now halfway through the four-year term for which he was elected in 1951. The wave of popular enthusiasm which then swept him back into power has subsided. Soaring prices, recurring shortages of food, and the failure to market Brazil's important export crop, cotton, have disillusioned many formerly devoted *Getulistas*. Moreover, election campaigns begin astonishingly early in Brazil, as elsewhere in Latin America, and would-be future presidents are already dissociating

themselves from the present government, in order to attack it more freely. Thus, in recent weeks Senhor Adhemar de Barros, ex-governor of Sao Paulo, who helped Dr Vargas into office by swinging his Social-Progressive Party behind him, has been launching violent criticisms at the President; and there have been stirrings of unrest even within Dr Vargas's own Labour Party. Brazil is still plagued by the evils of "personalised" politics, and party leaders who can offer no real alternatives to the present government's policies can all too easily gain a following merely by offering a change of faces.

It is against this background that the astute but now elderly President has pursued an intricate course, balancing rival groups against one another to make up for the lack of any reliable parliamentary majority. The impression has gained ground, however, that the government has no clear policy at all. In June, therefore, Dr Vargas sought to recapture public confidence by making a clean sweep of his cabinet. Several of the new ministers had served in his prewar and wartime governments; most of them had some reputation for vigour, but inevitably they also had old enemies.

A particularly controversial figure was the new Labour Minister, Senhor Joao Goulart, who has been closely associated with labour organisations and whose critics suspect him of *Peronista* tendencies. In July one of General Perón's chief supporters, Dr Hector Campora, visited Brazil, and it was widely alleged that he had conferred at length with Senhor Goulart with a view to the formation of a new Latin American labour front on *Peronista* lines. Some Rio newspapers enlarged this charge into an accusation that the government, under the Labour Minister's inspiration and with the backing of certain military figures, was "marching towards a trade union dictatorship." As the bubble swelled, the President himself was publicly accused of planning to overthrow the constitution and institute a form of syndicalism. In the first week of August, these reports were vigorously denied by military and governmental spokesmen, including Senhor Goulart himself, and the denials were capped by a presidential communiqué issued after a cabinet meeting.

Scandal in the Press

Little more has been heard of these allegations of an imminent *coup d'état* from above, but meanwhile the government had come under fire from another quarter. In June, a congressional committee had been ordered to investigate the affairs of the newspaper, *Ultima Hora*, and its associated group of publications and radio stations. Committee members later revealed that this group had incurred debts totalling some 270 million cruzeiros, and accused the Bank of Brazil of recklessly financing with public funds an undertaking variously described as a mouthpiece for the government and an agency of Communism. Senhor Samuel Wainer, the director of the *Ultima Hora* group, was imprisoned for refusing to testify to the committee, then released; but a few days later the Supreme Court annulled the *habeas corpus* granted to him. Eleven leading newspapers issued a joint statement, warning the public that an attempt was being made to prevent full reporting of the investigation into "specially privileged newspapers founded to destroy the free press." Finally, opposition deputies in Congress extended the attack to involve the President, who was charged with implication in the strange activities of

the Bank of Brazil. The allegations against Dr Vargas were at once denied, but the government appears to have accepted the truth of the charges made against the bank, of which a new president has now been appointed.

To an outside observer, it might well seem that simultaneous involvement in two such affairs as these would be a deadly blow to a government already labouring under severe economic difficulties and lacking a secure political foundation. But political storms often pass away as quickly as they blow up in Brazil, a country which is too vast to be easily swept by a single swift emotion. Despite all the government's troubles, President Vargas's name is still one to conjure with; and the very fact that such outspoken criticism of the administration as has recently been heard is possible in Brazil provides a safety-valve for dissatisfaction. Other Latin American countries which lack this safety-valve might learn much from the Brazilian example.

Verdicts on Adenauer's Victory

THE first echoes of Dr Adenauer's resounding victory have already sounded throughout the world. The Americans' delight over the triumph of their favourite and the Russians' sorrow at the complete failure of their tactics were both to be expected. Between these two extreme poles range various astonished European comments descending from enthusiasm, through cautious optimism to misgivings about the use to which Germany will put its newly won strength and prestige. One thing the German elections have accomplished already: they have put new life into the European Defence Community treaty, which many thought would soon be thrown into the waste-paper basket.

The Russians had committed themselves too much during the election campaign to make back-peddalling easy now. Soviet and satellite commentators have therefore tried to minimise the Christian Democratic victory by tales of intimidation "ranging from blackmail to open terror." In spite of this, Soviet correspondents argued that more than "eight million socialist and communist votes" (sic) were cast against Adenauer. The big guns of *Pravda* and *Izvestia* have not yet exploded, but it is significant that *Pravda's* commentator stressed that "as a result of the election the international situation has deteriorated." He also judged it worth while to repeat almost literally the warning from the Tass pre-election communiqué that after the signature of the Bonn and Paris agreements German unification would become impossible.

The eastern chorus of wailing and imprecations is of course joined by the western Communist press. *L'Humanité* on its first page carries an article on the victory of the *revenchards*. The tone of the remaining Western press depends upon the political allegiance of the papers and on their attitude to European unity. Thus the whole Dutch press welcomes the result and the Socialist papers console themselves for the defeat of their German fellows with the thought that this is a triumph for "the idea of European integration." The Italian Centre is also happy about the result. The former premier, Signor De Gasperi, cabled to his more fortunate Christian Democratic colleague that his success confirmed hopes for a new and united demo-

cratic Europe. An Italian journalist put it in more flowery language: "The opponents of European unity, who had roused larvae of hope and phantasms of fear, have been crushed by the electoral victory of Adenauer."

In France the news from Bonn has been received with mixed feelings. True, M. Robert Schuman of European fame and that other prophet of unity, M. Henri Teitgen, see in it a triumph for the "myth of Europe." Yet most French politicians, even those in favour of EDC, would share the misgivings of M. Bonnebous that instead of integrating Germany into Europe there is a risk of an attempt being made "to build Europe around Germany." At the back of all comments is the contrast between Dr Adenauer's strengthened position and the shakiness of French cabinets, between German economic development and the French crisis, between the imminent prospect of a German army and the Indo-Chinese drain on French resources. It is also feared that the United States will now make Germany the centre of its European policy. *Le Monde* pertinently observes that "of the three champions of European integration, to the extent of joining together the armed forces, the German champion alone still stands, more solid than ever."

Each group draws from the new situation its own conclusions. The Gaullists conclude that if France enters EDC without strengthening its own regime the gamble is doomed in advance. The Socialists give a warning lest the new Germany should become "the arbiter of a precarious international situation." Comfort is found in the fact that German extremists have been crushed and in the hope that from his strengthened position Dr Adenauer will be able to be more conciliatory over the Saar. The undertone of gloom in most French comment is due to the realisation that the centre of gravity on the continent this side of the curtain is shifting from Paris to Bonn. This has been apparent for some time, but the contrast between Dr Adenauer's triumph and M. Laniel's predicaments has brought it strongly home. The Frenchmen may possibly be dragged into EDC as a "lesser evil" solution, but they cannot now be expected to enter it with great enthusiasm.

Change of Plan in Rumania

BY A CORRESPONDENT

RUMANIA has now followed the example of Hungary in introducing a "new look" economic policy. In a long speech on August 23rd, the 9th anniversary of Rumania's liberation by the Red Army, Gheorghiu-Dej, the Rumanian Prime Minister, confessed that the development of heavy industry had been "excessively accelerated," that agriculture and the production of consumer goods had been neglected, and that immediate steps would have to be taken to put the Rumanian economy on an even keel and to improve the standard of living of the workers.

The Rumanian Prime Minister would hardly have spoken in those terms without the approval of Moscow. But reports from Rumania suggest that popular discontent had reached such alarming proportions that sooner or later the Communist regime would in any case have been forced to make some placatory gestures. The purge of Vasile Luca, Ana Pauker and Teohari Georgescu last year, was, at

least in part, an attempt to pin the blame for the country's economic troubles on some illustrious scapegoats. But this attempt, unaccompanied as it was by any change in basic economic policy, clearly did not help matters. The peasant, who had been deprived of his last savings in the currency reform of January, 1952, was unimpressed; he went on with his passive resistance and the townspeople went short of food. Workers' delegations again and again went to Bucharest to protest against their poor living standards and the constant pressure to make them work harder for less pay.

Sometimes their discontent has flared up into open violence, and the government has been forced to give way. The demonstration towards the end of last year by workers from the Grivitza Rosie railway workshops outside the Ministry of Transport was not an isolated incident; on that occasion it appears that the Minister was only saved from the anger of the workers by the intervention of the militia. The peasants too have resorted to open revolt. Last year there were reports from Moldavia of the burning of grain destined for the Soviet Union and in Transylvania the government's emissaries were said to have been taken prisoner by the enraged peasants. This year there have again been reports of peasants breaking into the government granaries.

Struggles Within the Party

It is perhaps surprising that the regime should have allowed this dangerous situation to continue unchecked for so long. Indeed, it appears that Gheorghiu-Dej himself would not have been averse to a more conciliatory policy. In an article published last January in Moscow in *Kommunist*, he advocated a more liberal policy towards the peasants; and on more than one occasion he has condemned the excesses of the "obscurantist" purges which have evidently played havoc with the administration of many industries. But Gheorghiu-Dej has not been master in his own house. The problem of the "unprincipled relations within the Party leadership" (i.e., the faction struggles) which Ana Pauker was accused of having "cultivated," was not settled

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).

Subscriptions and enquiries (marked "Prices") should be sent to:

**THE ECONOMIST INTELLIGENCE UNIT,
22 Ryder Street, St. James's, London, S.W.1.**

THE ECONOMIST, SEPTEMBER 12, 1953

by her removal from the scene. A strong faction within the government led by General Bodnaras, the Minister of Defence, and Constantin Parvulescu, who is in charge of the Party's security police, have made no secret of their belief in forced collectivisation and extreme "revolutionary vigilance." These two, however, appear to have been Beria's protégés; since his downfall their ability to make trouble must have been reduced and Gheorghiu-Dej—with, of course, Moscow's approval—must have found himself in a much better position to strike out on a new tack.

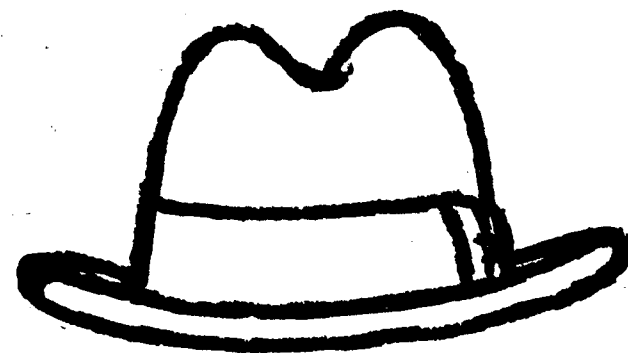
In his speech on August 23rd the Rumanian Prime Minister said bluntly that in the sphere of agriculture the main preoccupation of the Party and the government must be "the problem of bread." During the period 1953-5, agriculture is to have twice as much money invested in it as it had during the period 1950-52. Gheorghiu-Dej admitted that private farmers, who provide the state with 75 per cent of the total quantity of saleable cereals, had not received "due attention." In future medium and small farmers—but not the kulaks—are to get cheap credits for the purchase of livestock, tools and fertilisers and are to be helped with tractors and other machinery belonging to the State. But at the same time Gheorghiu-Dej was careful to destroy any possible illusions that the policy of collectivisation was to be abandoned. On the contrary, he said that "relentless attention" must be paid not only to the consolidation of existing collectives, but also to the organisation of new ones. The policy of collectivisation is not just to mark time; it is to march forward. The Communists evidently still nourish the hope that the collectives can be made so successful that the peasants will be attracted into them of their own free will.

Promises to the Workers

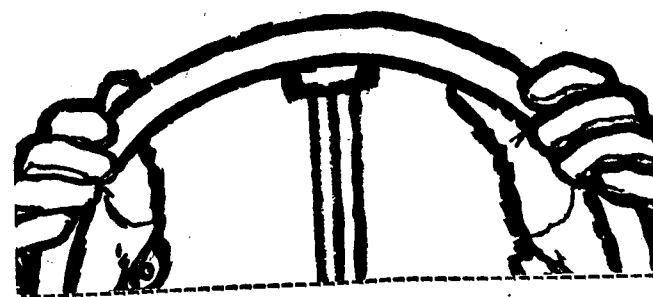
The government's more conciliatory attitude towards the peasants is accompanied by a series of promises to meet the workers' complaints. They are to get more foodstuffs, more shoes, more clothes, more pots and pans; by the end of 1955 50,000 families are to be provided with new homes; school fees and charges for public utility services are to be reduced; most wages are to be increased by the end of this year. The increase in consumer goods is to be achieved by cutting down investments in heavy industry and by pumping more money into the light industries and agriculture; the proportion of investment going to the consumer goods industries and to agriculture by the end of 1955 will be twice as much as in 1953.

How much production in heavy industry will have to be cut back if the new policy is seriously carried out is not clear. The reported decision to stop work on the Danube-Black Sea Canal must release a good deal of forced labour and material resources for employment elsewhere in industry—either light or heavy. Gheorghiu-Dej, indeed, claimed that the production of crude oil, which by the end of this year is to rise to 9,300,000 tons, would by 1955 be even higher than the plan target—11 million instead of 10 million tons. But in some other sectors of heavy industry, such as coal and crude steel, he seemed to be cautiously lowering the targets although he did not admit as much. In fact it is probable that Rumania's new economic policy has not yet been translated into concrete plans. Whether the country's rulers—and the Kremlin—seriously intend to do so, it is still too early to say.

THE ECONOMIST, SEPTEMBER 12, 1953



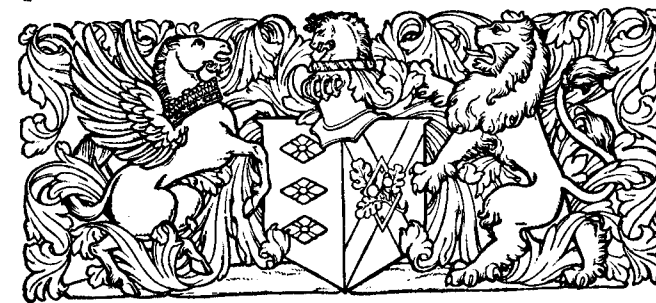
Are
you a
BP Superman?



It's a businesslike petrol, BP Super. You accelerate more smoothly. You go further in top without pinking. Your engine life is longer. And you get more miles per shilling.

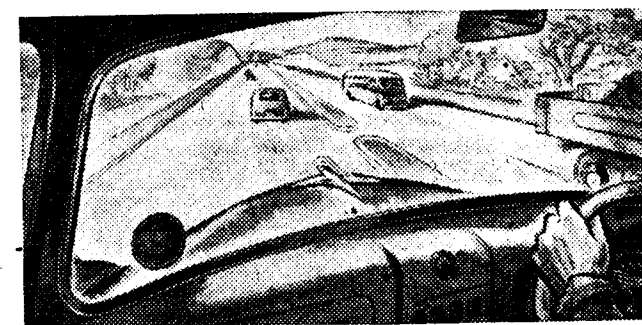
The true BP Superman also uses
BP Energol—the oiliest oil.

BP
is the trade-mark of
ANGLO-IRANIAN OIL CO., LTD.



Quality Furniture has
**BRITISH
LEATHER
UPHOLSTERY**

For long life and comfort there's nothing like leather



**YOU'LL FOLLOW THE TRACKS
Of The BIG Yellow 'CATS'**

Many people on the east coast of England have been astounded at the speed with which Caterpillar earthmovers have helped to rebuild the shattered sea defences.

One day—perhaps soon—you'll be travelling the new roads which such Caterpillar equipment as this has helped to build. They'll be fine roads, a credit to Britain; the ultra-powerful, fast-working 'Cats' (world-recognised nickname for

world-famous machines) will have done an incomparable job, going a long way towards solving the country's transport problems.

Distributed & Serviced in U.K. by:-
North & East—H. Leverton & Co. Ltd.,
Spalding, Lincs.

Wales & South-West—Bowmaker
(Plant) Ltd., Willenhall, Staffs.

London & South-East—Fred Myers
Tractor & Equipment Co., 4 Tilney St.,
London, W.1.

Scotland—Caledonian Tractor & Equip-
ment Co. Ltd., 1 Rigby St., Glasgow, E.1.



CATERPILLAR
(Regd. Trademark)

DIESEL TRACTORS AND EARTHMOVING EQUIPMENT

Ask for this
smoothest-ever
notepaper

Try Mitre Club next time—the new kind of notepaper with a specially-processed finish that makes writing easier. Run your fingers across its surface—you can feel the new smoothness that makes any kind of pen flow more easily. Ask for Mitre Club—it costs no more than ordinary notepaper.

MITRE CLUB
MAKES WRITING EASIER

Available in white and an attractive new shade of blue in three sizes of pads 1/-, 1/3, 1/10, and in boxes of single and double sheets with distinctive envelopes to match.

FROM ALL REALLY
GOOD STATIONERS



Nothing left to chance...



COPPER CLAD

To secure a gas tight seal at the point where the lead wires pass through the glass envelope of Royal "Ediswan" Lamps a special wire known as Copper-Clad is used. This seal must remain gas tight over the range of temperature from cold to the highest value which the lamp attains when alight.

Copper Clad, made by a very specialised technique, consists of two metals hermetically bonded in such proportions that they will expand and contract at the same rate as the glass. This property together with the specially prepared surface, ensures that a perfect metal-to-glass seal is made.

* This is but one example of the intricate operations in the manufacture of Royal "Ediswan" Lamps, calling for the highest degree of technical skill and the utmost care and precision. Nothing is left to chance—only the finest materials are used and there is strict control at each stage of manufacture.



ROYAL "EDISWAN" LAMPS

The Edison Swan Electric Co. Ltd., 155 Charing Cross Road, London, W.C.2
Member of the A.E.I. Group of Companies

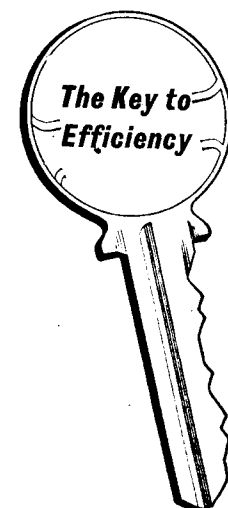
L174

That's only half the story—



**The Emidicta
provides a
THREE-IN-ONE
office system**

- 1 Normal Dictation
- 2 Remote Telephone Dictation
- 3 Inter-com between Executive and Secretary



These are the facts which make the Emidicta outstanding:

- Remote controls, Repeat, Stop/Start provides effortless operation.
- Quick visual indexing.
- On Office Model, listening by means of inbuilt loudspeaker, microphone or earphones (single or double types).
- Up to thirty minutes' transcription on a single disc.

WITH INEXPENSIVE ATTACHMENTS THE EMIDICTA WILL:

- Record telephone messages or dictation over house or G.P.O. lines.
- Act as an inter-com allowing two-way conversation between executive and secretary.



Emidicta

COMPLETE DICTATION SYSTEM
E.M.I. SALES & SERVICE LTD. (Emidicta Div.), Dept. 28a
363-367 Oxford St., London, W.1. Tel.: Mayfair 8597. Grosvenor 7127/1

THE BUSINESS WORLD

Britain's Démarche at Gatt

THE meeting of the contracting parties to the General Agreement on Tariffs and Trade that opens in Geneva on Thursday will not be accompanied by another round of multilateral tariff negotiations; but it is likely to have a significant, if delayed, effect on the level of world tariffs. The accession of Japan, even on the provisional basis now contemplated, will itself make this almost inevitable. Japan is one of the world's principal trading nations; and as more countries grant it the privileges of Gatt membership and hammer out specific tariff bargains with it, the most-favoured nation clause in Gatt will make it necessary for them to extend the fruits—sweet or sour—of such bargains to other countries. Apart from this, the delegates at Geneva are to discuss arrangements for the extension beyond the end of 1953 of the tariff rates that have been secured as a result of the three earlier rounds of multilateral negotiations held under Gatt auspices. In a world in which—temporarily at least—import licensing seems to be loosening, the importance of this extension should not be underrated.

For Britain, the meeting will have quite special significance. If it secures permission from Gatt, Britain apparently intends to raise certain agricultural tariffs—perhaps in the next budget. That is the plain implication of the request that Britain has decided to make for waiver of the rule that now prevents it from raising duties on items not at present in the British schedule (i.e. on which Britain has made no commitments in negotiations with other Gatt members), but in which there is now duty-free entry for imports from the Commonwealth. Britain wants, in other words, a legalistic interpretation of Gatt that would allow it to raise tariffs against certain foreign goods, to continue duty-free entry for those same goods from Common-

wealth sources, and yet not to be regarded as running foul of the Gatt rule that forbids the widening of margins of existing tariff preferences.

A forewarning of this initiative—and an indication that Britain itself originally wanted to go rather further—was to be found in the communique issued after the Commonwealth Economic Conference of last December. That communique revealed that the British Government had originally suggested that all Commonwealth countries might join in seeking full release from the "no new preference" rule of Gatt, but that the majority of the overseas dominions had disagreed; they felt that any such approach to Gatt would ill accord with the basic objectives of the conference, which was supposed to be discussing measures for greater freedom in world trade. It can be said that the United Kingdom will abide by this majority decision. No attempt will be made by the British delegation at Geneva to revoke the basic "no new preference" rule—though some such buccaneering attempt does seem to be implied in the Australian Government's recent call for the general reconsideration of Gatt some time next year. The communique from the Commonwealth conference went on to state, however, that all the dominions had agreed to support Britain in a limited *démarche* to Gatt that might "enable the United Kingdom, consistently with the basic provisions of Gatt, to continue the duty-free entry for Commonwealth goods notwithstanding any increases that might from time to time become necessary in duties designed to protect domestic industry and agriculture in the United Kingdom." It is this *démarche* that is now to be made at Geneva.

Under present British tariff legislation, largely as a result of the pre-war Ottawa Agreement, a wide range of Commonwealth goods is guaranteed duty-free entry; it would be impossible for the British Government to

introduce amending legislation to revoke this duty-free entry without running into massive political difficulties within the Conservative party. The odd result of this, and of the "no new preference rule," is that Britain is unable to raise many tariffs that it never even considered "binding" with Gatt. It seems to be alone in suffering from this disability. Certainly the rest of the Commonwealth does not suffer from it. Many of the tariff schedules of the dominions grew up as a result of direct and deliberate attempts to secure protection for their secondary industries against imports from Britain; as recent and even current events in Australia show, there is no great political compunction in most overseas dominions about raising tariffs against Britain still further. And, of course, very few non-Commonwealth countries have preferential arrangements that in any way hamper their freedom to increase rates of duty on items that have not been specifically "bound" in bargains with other contracting parties of Gatt.

★

It is to remedy this somewhat invidious position that the British Government is making its sally at Geneva. Its immediate intention is apparently to give permanent protection to certain sections of British agriculture by imposing or increasing tariffs on a wide range of vegetables and fruit. At present that protection is given by the most arbitrary of all methods—by quotas and outright seasonal prohibitions that can, and at times do, come into operation with extremely abrupt severity; and the Government feels that it is actually following a liberal policy in wishing to switch from this harsh procedure to the less arbitrary method of tariff protection. It is therefore the liberals, not the protectionists, at Whitehall that have been most annoyed to find that many vegetables and fruit qualify for duty-free entry from the Commonwealth; in some cases this applies to vegetables and fruit that are not grown in—or at any rate not exported from—the Commonwealth at all.

What support is Britain likely to muster for its request to be freed from rigid legalistic interpretation of the "no new preference" rule in this particular instance of goods on the Commonwealth's duty-free list? It has already been promised support from the dominions and it may also secure support from the United States, which has a rather tender conscience at the moment in any discussions about the protection of agricultural products. To America and to some countries that often vote with it, Britain may plead that all it wants to do is to increase import duties on goods in which there is little or no Commonwealth trade with the United Kingdom, and that the additional duties will cause no substantial diversion of trade from foreign to Commonwealth countries. This line of reasoning may secure wide support, but it is not going to sound very convincing to the countries that are destined to be the main targets of the higher duties—especially the Netherlands, Denmark, Italy and France. Britain will try to comfort these countries by explaining that the

hated quotas and embargoes will be supplanted by the more tractable and foreseeable technique of import duties; and it may also promise them that they will be given due warning of the imposition of higher tariffs—together with the right of appeal to Gatt if they deem their interests to be jeopardised. If the British delegates are to make any headway here, however, they will have to use very honeyed words indeed.

★

To British eyes, there seems to be a great deal of reasonable logic in the Government's case. As matters now stand, the United Kingdom is the solitary contracting party of Gatt that is prevented from raising tariffs on a large number of items that it has not bound in bargains with other countries; and, among the bound items, it is often the only one to be deprived—by this bogey of duty-free Commonwealth entry—of the right to use Gatt's famous escape clause (by which members can go back on their obligations in respect of tariff, though not of preference, levels in order to protect domestic industries that are suffering genuine injury from imports). But Britain gains so much from Gatt—and especially from the reductions in the American tariff that have been negotiated under it—that it should tread very warily in its *démarche*. It should make it crystal clear that its initiative is intended to be consistent with the basic principles of the General Agreement, and that it desires appropriate provision to be made for the lodging of complaints by any injured parties if in fact it should unintentionally trample on those principles. It should go out of its way to proclaim that this is not the thin edge of the wedge of permanent, heavy and indiscriminate protection for British agriculture regardless of its comparative cost structure. The Government should come right into the open about the particular increases in duties it has in mind. Meanwhile, public opinion in Britain should follow the proceedings in Geneva with greater interest and vigilance than is usually devoted to these somewhat dull, arduous and not readily understandable gatherings. For the domestic economic policy of Britain this next meeting of the contracting parties will have a significance and importance that none of its predecessors has been able to claim.

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.

A Yardstick for Investors

AN analyst of the stock markets can only be as good as his tools. One of his familiar and well-tryed tools—the Actuaries' Monthly Investment Index with a base date of December 31, 1938—has just been discontinued. In its place the Institute of Actuaries has compiled a new and ambitious monthly series of index numbers of security prices and yields from a new base date, December 31, 1950; to provide perspective and continuity, the new indices have been calculated back to December, 1945, but only for half-yearly dates. The new index will appear monthly in *The Economist* in place of the earlier one—the first selection of indices appears on page 729 this week—since it is by far the best yardstick available for measuring general movements in British stock markets. It is clearly desirable, however, to subject this new instrument to a critical scrutiny and to explain in some detail exactly what it does—and does not—measure.

The sample of securities included in the index contains five British Government and home corporation stocks, 22 debenture stocks, 53 preference stocks and

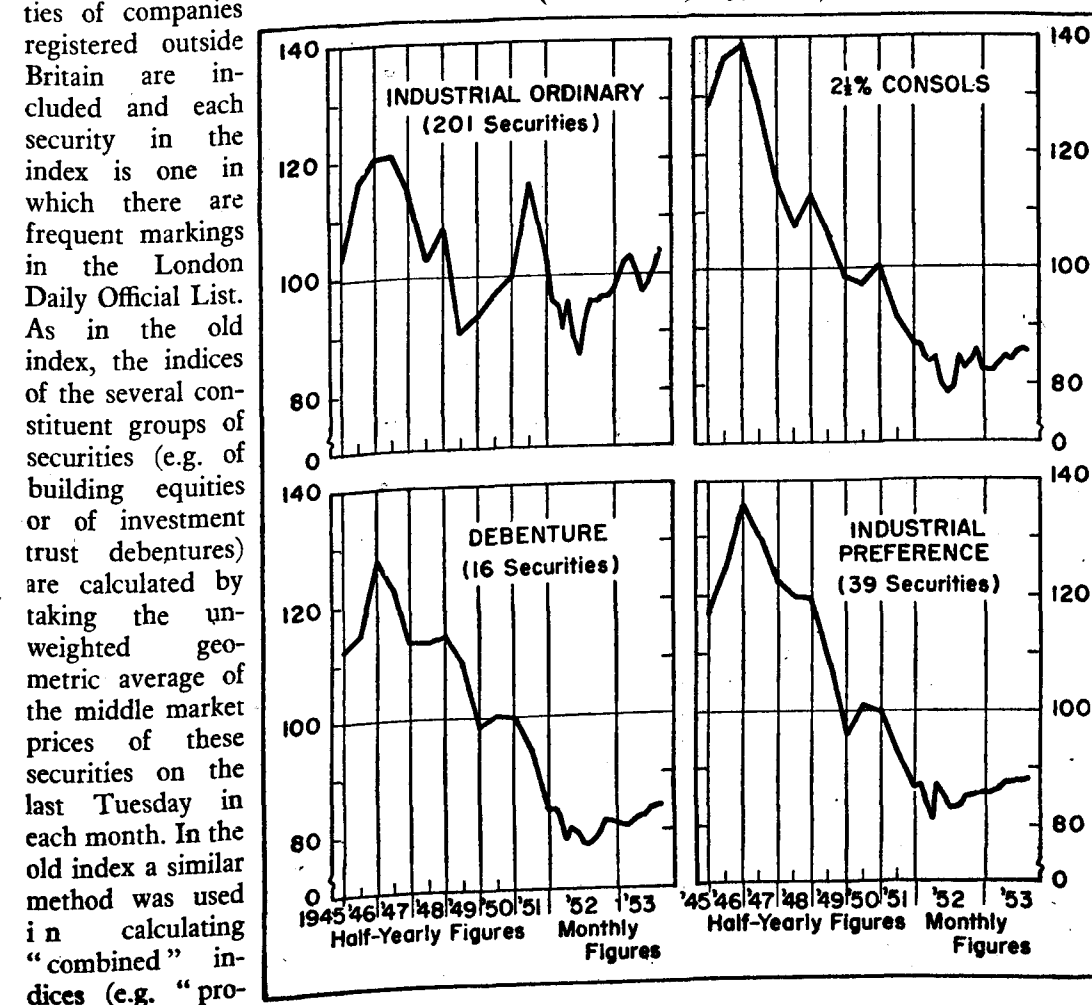
ductive" or "distributive" equity indices) so that the importance—and, therefore, effectively the weighting—of each group in these indices was determined by the number of securities it contained. In the new series, however, the price index number for a combination of groups (e.g. "investment trust preference shares at all rates of dividend") is a geometric average of the index numbers of the constituent groups—and, as will be seen later, in the case of ordinary shares this is a weighted average.

It should be noted that the sample of stocks in the various indices is not a fixed one, for if the price of a preference or ordinary share falls below a fixed limit in relation to the index of the group it can be replaced by another security. The compilers' intention here—as it is throughout the index—is to provide an index of prices of high-grade shares in which institutional investors are likely to be interested. The individual investor who tries to measure the performance of his own portfolio against that of this index may therefore be setting himself a sterner test than he realises, for any

stocks that turn sour can be struck out of the index's list.

Within the separate groups of the index, those relating to gilt-edged and debenture stocks will perhaps be least helpful to private investors. Indeed, the gilt-edged section is now even thinner than before; it includes only old Consols and four home corporation stocks. For general purposes, separate indices for undated, medium dated and short dated gilt-edged stocks would have been useful, but such compilations were apparently of no real interest to the institutional investors, who prefer to base their deci-

INSTITUTE OF ACTUARIES' NEW INDICES OF SHARE PRICES
(December 29, 1950=100)



sions upon the detailed price and yield lists issued by stock market houses and upon the meticulous bespoke analyses made for them by the specialist firms. In the debenture section of the index the Institute has tied itself by a very stringent rule to include only those issues (of over £500,000) that are for all practical purposes irredeemable. Since most major debentures of most major companies are dated stocks, much of this section of the index is based upon little known securities whose middle market prices may not be very representative of the movements that investors might expect in an index of this kind. Within this section, too, the Institute has scrapped its old distinction between industrial debentures issued by "productive," "distributive" and "miscellaneous" concerns; instead, there is now a revised series for investment trust debentures and a new series for brewery debentures, "miscellaneous" debentures and brewery and "miscellaneous" debentures combined. There seems to be too much beer in all this; it is perhaps upon the indices for investment trusts and "miscellaneous and breweries" that attention will generally be focused.

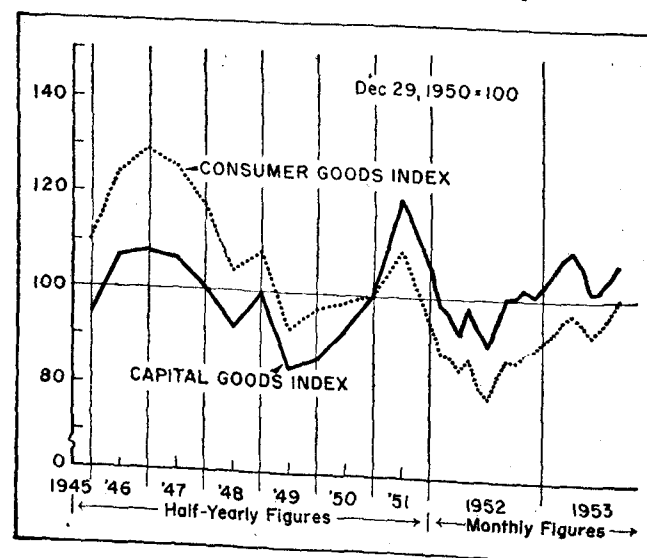
The section for preference shares makes an intriguing innovation. The former preference share section was subdivided in the same way as debenture stocks. Now the subdivision depends upon the nominal rate of dividend paid on the shares—except that there are separate sub-groupings of investment trust and industrial preference shares. The aim of this subdivision is to test the argument that a preference share with a high coupon rate is more vulnerable, on the thesis that a company's directors may try to devise ways of getting rid of the burden it involves. An examination of the new series suggests, however, that the argument has been a false one—at least since the war; within the range of interest rates chosen by the Institute—effectively from 3½ to 7 per cent—the prices and yields of preference stocks have always moved together. This negative conclusion may have made the experiment worth while, but there seems to be little point in continuing to hammer it home indefinitely. A subdivision that aimed at showing, for example, whether the market puts a different valuation at different times upon preference shares in the capital goods industries compared with those in the consumer goods industries—as it does with ordinary shares—might be more valuable.

The section of the index that will attract most attention will undoubtedly be that for ordinary shares. There have been two major improvements here. First, the "financial" group has been extended and remodelled. Secondly, the old (and almost meaningless) combined indices for "productive," "distributive" and "miscellaneous" industrial equities have been replaced by a much more significant grouping into "capital goods" and "consumption goods"—with separate sub-indices for chemical, oil, shipping and miscellaneous equities that do not readily fit into those categories. In the capital goods group, the combined

index is calculated from the 47 equities in the five separate series for the building, electrical engineering, engineering, motor and aircraft, and shipbuilding trades; while the consumption goods index comprises 108 securities in 13 separate series—boots and shoes, breweries, chain stores, chemists, cotton textiles, food, household goods, newspapers, paper and publishing, rayon, department stores, tobacco, and wool textiles. All the industrial groups, as in the old index, are combined to form a single index of all industrial equity share prices. On each of these 243 equity shares a dividend must have been paid for at least five years consecutively; but, inevitably, the group contains some little known and not very representative shares. This, however, is not a serious criticism, for the effect of such issues upon the combined indices has been swamped by the ingenious system of weighting used. In the circumstances, it is a pity that this method of weighting was not explained in the Institute's memorandum to subscribers.

The weights given to each group of securities in calculating the total index (i.e. the industrial equity index) and the indices for the capital and consumer goods

CAPITAL AND CONSUMER GOODS EQUITIES



trades have been based upon the end-1950 market value of the securities originally considered for inclusion in the index. This is probably the best system of weighting available, but—like any and every weighting system—it involves some distortions. Among them is a surprisingly high weight for the tobacco group; since this group contains only three securities, movements in Imperial Tobacco shares may have a disproportionate effect. So may those in the equities of the giants of the oil industry. Since "Imps" and oil shares can fluctuate more violently than most industrial securities (especially in times of boom but yet of changing dollar import restrictions) these are points that are worth noting.

This is no more than a criticism of detail. Experience has shown that almost any general index that is scientific

cally constructed will show the same general movement in security prices; it is within the separate subsections that marginal errors of choice and weighting can cause mistakes that are glaring and misleading. Thus, if the new index of industrial equities is plotted beside the old for the period 1945-53, it shows almost exactly the same picture of events in the stock markets. This coincidence is a tribute to the principles of both the original and revised indices; but only those who pay no attention to the trends of the sub-indices will regard it as a sign that the compilers' new mountain of labour has brought forth only a mouse. A stern critic might perhaps argue that in the gilt-edged and preference share sections they have run away from the difficulties, and in the debenture section have used a method that could lead to distortions; but even such a critic will regard the new subdivisions of the equity index as a clear improvement upon the old.

The movements since 1945 in the main indices, so laboriously compiled, are shown in the accompanying charts. Two features in that record seem worthy of note. It affords, first, a statistical measure of the switch in equity investors' preferences from consumer goods towards capital goods, a switch that occurred between early 1950 and mid-1951 and has since been maintained, although not on balance strengthened. It is significant that, even after this change, movements in both indices continued to follow the same broad pattern.

Business Notes

EPU and Convertibility

THE Managing Board of the European Payments Union has been awkwardly situated throughout the general debate on convertibility in the last twelve months. On the one hand, the agreement establishing EPU was itself intended to prepare the way for a return to multilateral trade and general convertibility of currencies; on the other, the Board has always feared that an isolated advance to convertibility by any single major European country would wreck the mechanism that it exists to manage. In its third annual report, published this week, the Board has struggled hard to devise a philosophy that fits in with both these considerations. When it discusses the conditions that will make the world safe for convertibility it is careful to do so in terms of "the majority of European currencies." It admits that "some European currencies will be able to move faster and further towards currency convertibility and complete trade liberalisation than others," but it declares that "in

In other words, investors in equity shares did not see in the changes in the economic climate any opportunity to make a profitable and positive switch from the one broad category of equity into the other. When confidence was mounting between early 1950 and mid-1951 and all shares were rising, investors showed preference for capital goods shares; but when confidence was ebbing away after mid-1951 they apparently sold both types equally.

This tendency towards a lack of selectivity in the markets is also clearly illustrated in the charts of old Consols, debenture stocks, industrial preference and ordinary shares. All the fixed interest stocks have, of course, followed the same broad pattern of behaviour throughout the postwar period; and in retrospect this behaviour appears merely as the retreat from cheap money. But it is surprising that—with the certain exception of the equity boom of late 1950 and early 1951 and with the possible exception of the recovery in equity shares in the last few months—investors in equities have moved into and out of the markets in remarkably even step with investors in the gilt-edged market. Once upon a time it was regarded as rather odd if gilt-edged and industrial stocks moved up together for any length of time. But that was in the days when a myriad of minnows ruled the market; today the big institutional fish swim in more serried shoals, towards or away from the shore.

NET SURPLUSES OR DEFICITS IN EPU
(\$ millions)

	1950-51	1951-52	1952-53	Cumulative net position at mid-1953
Austria.....	-104	- 38	+ 42	-100
Belgium-Luxemburg .	+236	+509	- 33	+712
Denmark.....	- 68	+ 46	- 17	- 39
France.....	+194	-602	-417	-825
Germany.....	-281	+584	+260	+563
Greece.....	-140	- 83	- 28	-251
Iceland.....	- 7	- 6	- 4	- 17
Italy.....	- 30	+194	-222	- 58
Netherlands.....	-270	+477	+139	+346
Norway.....	- 80	+ 21	- 59	-118
Portugal.....	+ 58	+ 28	- 23	+ 63
Sweden.....	- 59	+284	- 44	+181
Switzerland.....	+ 11	+158	+ 85	+254
Turkey.....	- 64	- 96	- 50	-210
United Kingdom....	+604	-1,476	+371	-501

the opinion of the Board it would be greatly to be deplored if a general move to convertibility should result for some member countries in the necessity to impose new restrictions, probably of a discriminatory character, on their trade relations with others." It therefore believes that hopes should be centred in a joint and general advance. There must have been some critical glances from the EPU headquarters in Paris at Dr Erhard's suggestions this week that Western Germany and the United Kingdom might concert their plans for advancing the convertibility of their two currencies.

The Board is insistent that its desire for a concerted advance does not imply the indefinite postponement of any advance at all. In particular its staff is now studying the possibilities of closer co-operation with the International Monetary Fund, and the Board lays great emphasis on the value of the IMF's arrangements for stand-by credits. Above all, the Board reminds itself in its report that "the Union is intended only as a temporary system designed to assist European countries until they are able once again fully to take their place in a world-wide system." But perhaps its faith in the solidarity of European recovery is rather shaken when it regards the violently see-sawing movements that have taken place in every member's accounts with the Union in the last three years; the extent of this see-sawing is detailed in the accompanying table.

Discretion at the Fund

THE meeting of the Governors of the International Monetary Fund that opened in Washington on Wednesday has not so far brought forth any excitements. And if, contrary to expectations, any major plans are being hatched behind the scenes, no foretaste of them has been given in the latest annual report prepared for the Board. There is no longer any trace of the engaging capacity for indiscretion that allowed the 1949 report to make a fairly confident forecast of the devaluation of sterling and other currencies about a month before the event. This year's report is discretion itself—and somewhat boring discretion at that—in its general comments upon world currency trends. It does, however, dispense its usual meed of good advice to both sides of the dollar gap, telling the dollar world that it must maintain a high level of activity and employment, repeal the "Buy American" Act, and follow all the other copy-book maxims for good creditors; and it presses upon the non-dollar world the well-hammered lesson that "effective control of inflation has always been an essential condition for the achievement of balance of payments equilibrium."

These precepts are drearily familiar, but so neglected in practice that they can hardly be too often reiterated. The report does, however, take a very sanguine view of the reconsideration of United States foreign economic policy that is now under way; it affirms—a little ambiguously, it is true—that "there can be little doubt that the outcome of this re-examination will considerably influence the pace of further movement toward the establishment of a freely operating, multilateral system of payments." But it adds that, for the time being, the dollar problem has been exorcised; in the second half of 1952 the United States had

a deficit of \$107 million with the rest of the world, and in the first quarter of 1953 this deficit had leapt to \$504 million. Both these figures, of course, include American disbursements of defence aid as a debt on its current balance of payments.

Even a discreet report could not this year avoid discussion of the problem of convertibility. The IMF treats this in some detail. To the argument that no effective progress can be made towards convertibility until the dollar shortage has been relieved, it retorts that the relief of that shortage requires adjustments in the pattern of international trade to which a movement in the direction of convertibility would itself contribute. As its own contribution to the cause, the IMF makes much of its new device of "stand-by" credits, first applied to Belgium. This facility has since been generalised by a decision of the Executive Board, in its announcement that the Fund would consider requests by members for stand-by credit arrangements designed to give assurance that, during a fixed period of time, transactions up to a specified amount would be made on request by a member, and without further consideration of that member's position. This, says the IMF report, "was intended to remove the doubts that have led some members to the view that in formulating their policies they could not rely on Fund assistance." Of those convertibility discussions in which it has itself participated, the IMF records that none of these discussions has yet reached the stage "where concrete programmes are available for examination"; but it adds that the Fund is prepared to consider what part it can effectively play in the furtherance of their objectives. There is also one oblique comment on the issue of floating or fixed rates; the Canadian experiment in adopting a floating rate is regarded as being "in several respects unique." Clearly, there are no floaters in the Fund.

World Bank and Planned Investment

THE International Bank for Reconstruction and Development has now made over \$1,600 million of loans since 1946 and disbursed more than \$1,100 million on them. In the year to June 30th last it disbursed the equivalent of \$226.8 million; of this, \$39.6 million was disbursed in currencies other than US dollars but no less than \$82.7 million was spent outside America. The Bank is therefore injecting dollars both into the countries that borrow from it and into countries that can supply them with capital equipment. In presenting the Bank's eighth annual report this week, Mr Eugene Black, the distinguished American who has just been re-appointed as its President, could therefore speak with the refreshing authority of achievement on two subjects that are often discussed in only the woolliest terms—namely, the need for irrigating more dollars into the world economy by more liberal American trading policies, and the scope for investment in the under-developed countries.

By dint of much experience, the Bank has learned that the resources of most under-developed areas are adequate, if effectively used, to support a substantially higher level of production and income; the main obstacle to their development is not the lack of capital but such factors as "the lack of traditions of political responsibility, the weakness of economic initiative, low standards of educa-

tion and training and insufficient understanding that economic progress requires patience, effort and self-denial." From this, in a passage that may raise some political eyebrows in Washington, the report goes on to argue that "under-developed countries have much to gain from a better direction and balance of investment" and that the scarcity of capital resources "lays on government a responsibility to develop its own policies and investments so that they will help to stimulate the economy as a whole." This, it should be added, is not an exhortation to plan in detail on the Soviet model, though the report does add that "planning in terms of concrete projects and specific policies remains the work of other ministries and agencies" and notes with approval that an increasing number of under-developed countries have left the planning of their investment programme to a central governmental planning unit. It cites some of the units that the Bank itself has helped to set up; they stretch as far as a Planning Bureau in Surinam.

It would be a pity, however, if anybody were led to suppose that zeal in the establishment of national bureaux of this kind can do much to stimulate development, unless there is a much greater flow of risk capital across national boundaries. In this field the Bank has suffered from one disappointment in the past year. It has been studying proposals for an affiliate that might make loans to private enterprise without government guarantee and participate with private capital in international equity investment; but it has had to report that "the member countries upon whom the proposed corporation would have to depend for the bulk of its funds have not so far shown readiness to commit their capital." All action on this project has therefore been deferred, although "the matter is being kept under review." Despite these discouraging words, it is still not too late to prevent this deferment from relapsing into coma.

Finance for Aircraft Exports

THERE have been many recent proposals for the establishment of some sort of financing agency to provide long-term credits for British exports of capital goods; the late Mr Alan Good was particularly active in urging that there should be a consortium of merchant banks or even some Government-sponsored corporation to provide finance of a longer term nature than the commercial banks could consider. Up to this week all such proposals have run on to two rocks. First, the Bank of England and the Treasury have rightly insisted that the main demand for easy credit terms by overseas importers has come from soft currency countries, and that to make exports of capital goods easier to these countries would merely lengthen delivery dates; and thus restrict exports to harder currency markets; the authorities have therefore wisely stood out against anything amounting to subsidisation of long-term export credits, although since about the beginning of this year the exchange control regulations have been favourably interpreted wherever the commercial market has been willing to provide credits of this sort. Secondly, it has always been obvious that the degree of risk attached to long-term export credits varies from one foreign importing country to another; although rigid regulations are impossible in a matter of this kind, it has therefore been accepted

that any scheme that was brought into effect should—where possible—make the foreign importer, not the British exporter, raise finance on the London market.

The proposal announced this week to form a new private company, Air Finance Ltd., to provide long-term finance for the export of aircraft and aircraft engines seems designed to try out the most promising available scheme on the most promising available dog. The aircraft industry constantly finds that the smaller airline operators overseas demand long-term credits—up to five years at least; and if credits yield a gain of foreign markets now, they should lead to a gain in maintenance orders later. The new company is to be set up under the strong auspices of three large merchant banks (Lazards, Erlangers and Morgan Grenfell—who will act as its joint managers) and of the Finance Corporation for Industry; leading companies in the aircraft industry will join with these sponsors in subscribing to the new company's initial capital of £1 million. Since the aircraft industry's export target this year is around £60 million, this initial capital will not go very far; but the company will raise most of its loanable funds by direct borrowing from the banks and from the Finance Corporation for Industry (which is to provide it with special loan facilities up to £10 million). Presumably in some cases the foreign importer will have to raise finance direct from the new company, while in others the British exporter will raise finance on its own account and then pass it on at its own risk to its foreign customers; but under either system there will be wide scope for the specialist sifting of risks that is urgently needed in transactions of this sort. The experiment will be watched with sympathy and interest, and it has obvious potentialities for later extension to engineering exports in general; but it would be premature for exporters of general engineering products to assume that the ground has now been prepared for a period of prolific growth of financing institutions of this kind.

Wasted Energy

IT would be interesting, though not necessarily useful, to know whether fuel is used more efficiently in Britain or in the United States, though neither Britain, which used to have an abundance of cheap fuel, nor the United States, which still has, is the place where ingenuity in saving fuel will necessarily have reached its peak. The productivity team that visited the United States early last year to study "Fuel conservation" might well have sought to arrive at a conclusive comparison. Instead, it has chosen to indulge in what used to be called "the formulation of national fuel policy" before the Ridley Committee pricked that bubble. Its conclusion and recommendations are of a familiar, technocratic and ultimately authoritarian nature—a commission to formulate a fuel policy, an interim "declaration" by the Minister of Fuel and Power, and the setting up "at one bold stroke" of a permanent Fuel and Power Board to co-ordinate the fuel industries and "formulate whatever policy is necessary." As to the content of the policy, the team suggests "top priority" for fuel-saving plant (above defence? exports?), district heating and heat-electric stations, back-pressure generation, compulsory thermal insulation (perhaps "with financial incentives"),

improved coal distribution, less smoke, and many other suggestions, many of them undoubtedly virtuous. "Solid fuel, gas and electricity should each be used for purposes for which it is best suited, compatible with the best interests of the nation" with no chasing of those "false gods, competition and freedom of choice"; and the team's first hint to the super-planners of the Fuel and Power Board, as might be expected, would probably be that space-heating by electricity, "in our present circumstances, is fundamentally wrong," while gas may deserve encouragement.

It is not easy to see how the team's visit to America, where unrestricted and lively competition between the fuel industries results in what seemed to them "a higher level of efficiency in the utilisation of fuel and power than prevails in Britain" can have convinced them that the British consumer needs to be told exactly what fuel he shall use and induced, by the carrot of subsidy or the stick of "exposure," to use it "efficiently" (whether this pays him or not). Indeed, the parade of well-meaning arguments at the beginning of this report, which these fuel enthusiasts could surely have produced without ever leaving Britain, mars and obscures a useful and interesting discussion in the second half of some aspects of industrial fuel practice here and in the United States. Their impression that American fuel efficiency is higher may be correct. Coal furnishes about 90 per cent of all the energy used in Britain, while in the United States 54 per cent comes from other sources such as oil, natural gas, and hydro-electricity, fuels inherently easier to handle and less likely to be wasted; moreover, American industry replaces all its equipment sooner. This has to be considered, however, beside the ascertainable fact that "energy consumption per head of population is by far the highest in the world. The United States possesses such vast and relatively inexhaustible stores of energy that there are no inhibitions in regard to its use." Moreover, the relation between the cost of labour and the cost of equipment to replace it (not merely the costs of the energy that equipment may generate or use, which the team is inclined to quote alone) differs considerably in the two countries. This, eventually, determines the degree of fuel efficiency that it will pay American or British industry to buy; and that test of return on investment is the final measure of total, as against thermal, efficiency.

Confidence in Film Production?

CINEMA attendance and box-office receipts in the first quarter of 1953, according to Board of Trade statistics published this week, show little change from their recent downward trend, though figures of Entertainments Duty collected, which are available up to the end of June, suggest that there has been some check to the decline, at least in takings. The industry is at once hoping to increase the size of those takings and arguing about how they should be divided. It is united only in thinking that Entertainments Duty takes too much—in the first quarter of this year some 34 per cent. However, exhibitors are more concerned at the present moment with proposals to cut admission prices and win more patrons, and to "squeeze" the percentage of takings they pay in film hire. Since this desire for lower rentals has coincided with the announce-

ment of various three-dimensional and wide-screen film for which an unusually high rental percentage may be asked, some friction has developed between exhibitors and distributors of films. The British film producers are not directly concerned with this argument, though they are disputing an "appraisal" of recent British films derived from a poll of exhibitors. The exhibitors' broadly unfavourable verdicts, they argue, conflict with the actual earnings of these films, which they have however not disclosed.

However, the British film producers have some reason to feel satisfied with the internal politics of the industry this year. Although the trade has not yet agreed upon a voluntary extension of the Eady Levy scheme that gives producers about £3 million a year more than they receive through the ordinary pipeline, they have the Board of Trade's assurance that if necessary the levy will be made statutory, and the National Film Finance Corporation, which provides most of them with working capital, has also been promised a longer lease of life. True, their commercial earnings from showings in Britain declined somewhat last year, and the film finance corporation's last results were not as hopeful as twelve months before; but activity in the industry last spring seemed reasonably steady, and the process of thinning down production costs seemed to be continuing. At the end of March, for the first time since the Board of Trade began to collect statistics, the whole of the studio space owned by the major groups was busy. This had contracted during the year, following the disposal of some major studios; nevertheless, this full utilisation of capacity was a healthy sign, and could suggest that better financial results from production may have played some part in the improved profitability of the Odeon group. Bookings of studio space for future production, which rose sharply at the end of last year, were still high at the end of March; though some of the unusually long-term bookings made earlier seemed to have been cancelled, this is stated to have been due to the acceleration of production schedules rather than to cuts in production, and in any case long-term bookings of studio space nearly a year ahead are not frequent enough in the film business to be significant. There have been some cancellations of film plans, notably by one American company that finances production here, reflecting Hollywood's caution over new screen dimensions. Though British film producers will eventually have to face these decisions too, or accept those made in California, there seems no obvious reason for them to postpone production likewise. Despite Hollywood's large stocks of films in the can, the sharp cut in output there this year must eventually bring about a shortage of popular American films, however temporary, and this may offer British producers an opportunity.

Australia Cuts its Taxes

WITH Federal elections less than a year ahead and "incentive budgets" in fashion in other countries, it was inevitable that Sir Arthur Fadden would hand out liberal tax concessions in the budget that he introduced in the Australian Parliament this week. It is therefore unfair

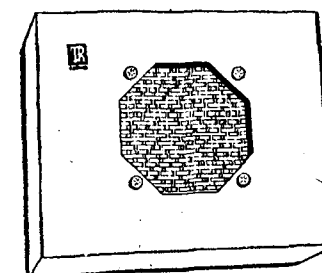
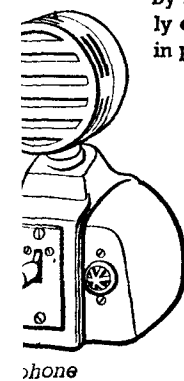


More than 20,000 firms already use T.R. equipment the installation and maintenance of which, on a rental basis, is T.R. Service.

CROPHONES & LOUDSPEAKERS

FOR INSTANTANEOUS STAFF LOCATION .. IN OFFICE BUILDINGS

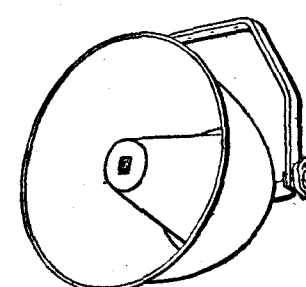
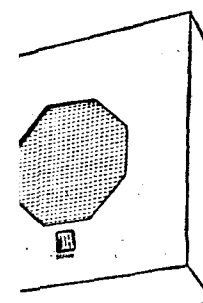
By newly developed equipment specifically designed to suit individual requirements in private offices.



Loudspeaker: For office use

IN FACTORIES

For finding anyone instantly; for announcements, time signals, and 'Music While You Work.'



Loudspeakers: For factory use

R. SERVICE includes also the installation and maintenance of Internal Automatic Telephones with optional loud speaking facilities, Synchronised Clocks, Time Recorders, Time Signals, Watchman Patrol Recorders, Fire Alarms, etc. Full details from:

Telephone Rentals Ltd.

OFFICE 28 KENT HOUSE, RUTLAND GARDENS, KNIGHTSBRIDGE
N. S.W.7 14 OPERATING BRANCHES THROUGHOUT THE U.K.
HF-667

THE UNITED
STEEL
COMPANIES LTD



What is United Steel?

The United Steel company is the largest producer of steel and allied products in the British Commonwealth, and makes one ton in eight of the steel production of Great Britain.

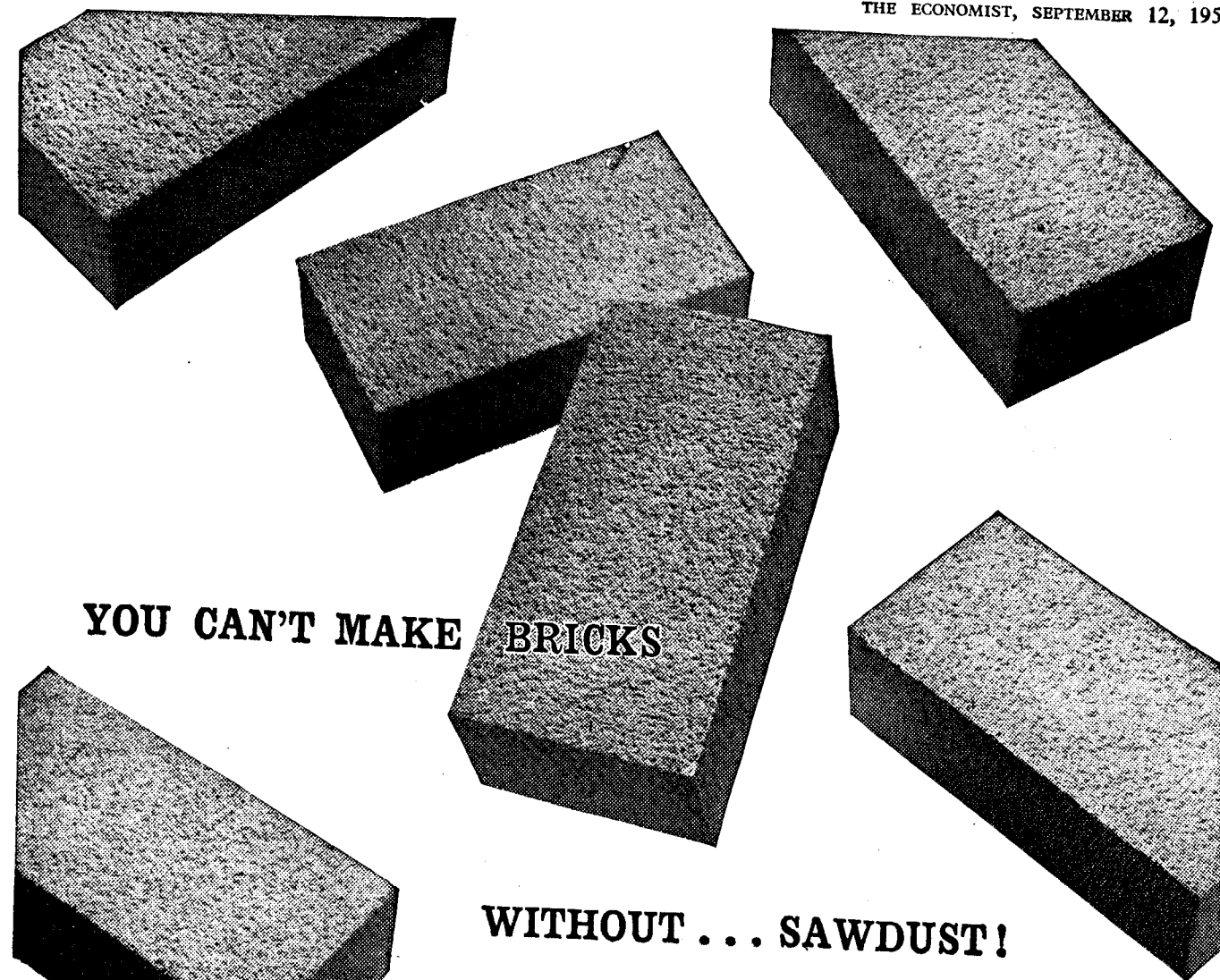
The United Steel company is a combination of individual producing units, giving employment to about 30,000 workers, and operating iron ore mines, quarries, coke plants, blast furnaces, steel works, rolling mills.

The integration of these units into a group provides centralised resources and services for finance, selling, research, recruitment and training and other functions which best respond to large-scale organisation. Each producing unit of the group, however, has a considerable degree of practical autonomy, giving it the flexibility of an independent concern of manageable size.

**THE UNITED STEEL COMPANIES LIMITED
SHEFFIELD**

*The Largest Steel Producers in the
British Commonwealth.*

APPLEBY-FRODINGHAM STEEL COMPANY SAMUEL FOX & CO. LTD.
STEEL PEECH & TOZER UNITED STRIP & BAR MILLS WORKINGTON
IRON & STEEL COMPANY UNITED COKE & CHEMICALS COMPANY
LIMITED UNITED STEEL STRUCTURAL CO. LTD. DISTINGTON
ENGINEERING CO. LTD. YORKSHIRE ENGINE CO. LTD.



YOU CAN'T MAKE BRICKS

WITHOUT... SAWDUST!

Not this kind of brick, that is. And don't think we mind you picking up our secret recipes, because we don't give a... hoot. It's not what they're made of, IT'S HOW THEY'RE MADE. These bricks (in the new range of Morgan Refractories) are the M.I.28. which yesterday you would have called 'hot-face insulators'. The difference is, these WORK. Your own Maintenance Engineer will tell you they're good.

Your own commonsense will foot the bill,

because

MORGAN
Refractories

ARE WORTH FAR MORE THAN THEY COST

The Morgan Crucible Company Limited, (Refractories Group), Neston, Wirral, Cheshire. (Tel. Neston 1400)

to poke too much fun at the weird economics that underlay his budget speech—such as his suggestions that because Australia's workers are fully employed the country has plenty of room for expansion, and that because a favourable turn in the terms of trade has enabled the country to build up its reserves it can now afford to go out and spend them. On Australian industrialists' own admission about 20 per cent of secondary industry there is now uneconomic (or rather "not competitive with foreign prices" to use the traditional euphemism) and another 10 per cent of it is hovering on the margin of uneconomic operation; this hardly looks like an economy that can afford to risk a new spending spree, even though it is in much better shape than a year ago. The new tax concessions, however, are not as discriminately directed towards the dominion's uneconomic secondary industries as had been feared, and the Treasurer's speech cannot fairly be said to be as saturated with the spirit of out-and-out protectionism as some recent utterances from Canberra. Perhaps, however, judgment on that point should be reserved until Mr Menzies makes his promised early statement about Australia's policy on "imports and other trade matters."

The tax concessions amount in all to £A118.4 million; this is, of course, an enormous sum for a country of Australia's size—on a *per caput* basis, these concessions are three or four times as large as those that Mr Butler handed out in Britain last April. In all, wage and salary earners will benefit from an average cut of 12½ per cent in income tax; public companies will pay 6s. (instead of 7s.) in the £ on the first £5,000 of taxable income and 7s. (instead of 9s.) in the £ on the balance, while private companies will benefit from a cut of 1s. in the £ on each of their equivalent rates. Goods previously subject to sales tax of between 20 and 50 per cent will now carry a flat duty of 16½ per cent (less in some cases), entertainments tax will be abolished altogether, and rates of customs and excise on spirits will be reduced by 21s. a gallon. Differential rates of tax on income from property will be removed and the exemption limits for both estate duties and payroll tax will be raised. It is improper to call all this a gamble, for it is really nothing more than a political *saute qui peut*; but it is true that it will not necessarily plunge Australia back into external deficit unless there is an unfavourable movement in the world price of wool.

Selling Aircraft to Lufthansa

ONE interesting outcome of last weekend's German elections is that immediately the results were known, a substantial German technical delegation, headed by the Minister-designate of Transport, made plans to come to this country to discuss ways of equipping the new German airlines. The German problem is to get quick delivery of civil aircraft of some kind or another. The Lufthansa, admittedly, cannot be re-started until the Bonn treaty has been ratified; but until the company is in existence again, no firm orders can be placed in this or in any other country. Whether it decides to start operations with new British gas turbine aircraft, or with the more familiar American piston-engined airliners, there will be a considerable time-lag

between the signing of the orders and the delivery of the aircraft. One of the points that the German delegation may therefore discuss with the British airline officials it is meeting this week is the possibility of taking over aircraft that British European Airways and the British Overseas Airways Corporation are about to put on the second-hand market.

BOAC, for example, will have its entire Hermes fleet of 19 long-range airliners on the market next month. These are modern piston-engined aircraft that cost, new, in the region of £250,000 each. They have had only three years' service with BOAC and, by airline accounting standards, therefore have at least five years of passenger-carrying operations before them. The medium range Vikings that BEA is selling are more travel-worn than the Hermes, but they could provide a useful stop-gap until, say, Vickers-Armstrongs could deliver new turbo-prop Viscounts to replace them. An arrangement to buy or lease aircraft from the British corporations has several features to recommend it to the Germans. Services could be started as soon as the necessary political and commercial formalities had been completed, and without heavy initial investment in new, costly airliners. The Germans would then not have to run the risk of equipping their new airline with piston-engined airliners that might, for prestige reasons, have to be taken out of first-class service before the end of their working life because competitors have switched to gas turbine power.

The talks with the British airlines will also cover the possibility of providing technical teams to get the German line re-started. This is a development that the British aircraft industry is watching with barely concealed eagerness, since it seems a foregone conclusion that British technical advisers would tip the balance in favour of British aircraft for full-scale operations even should the first services be started with a small fleet of American machines.

Copper Recessional

THE two Rhodesian copper producers in the Selection Trust group will look back upon the year to June 30, 1953, as the last in which they were domiciled in Britain, the last in which they sold copper direct to the British

COPPER SALES AND PROFITS
(£'000)

Years ending June 30	Roan Antelope		Mufulira	
	1952	1953	1952	1953
Sales revenue	16,684	21,706	15,726	18,188
Operating expenditure	7,191	9,684	6,683	8,131
Operating surplus	9,635	12,424	9,336	10,536
Profit, before tax	8,281	11,477	8,269	9,575
Copper sales (long tons)	81,027	87,307	76,369	76,089

Ministry of Materials, and—in all probability—as the last year of the post-Korean boom. In that year, in spite of a three weeks strike in the autumn as well as the recurrent difficulties about fuel supplies, Roan Antelope was able to

increase its output and sales, to 87,307 long tons compared with 81,027 long tons in 1951-52; while Mufulira—a “wetter” mine than Roan Antelope—was just about able to maintain the volume of its sales at around 76,000 long tons. Both companies were able to earn higher profits in spite of the rise in operating costs, with Roan's profits before tax rising from £8.3 million to £11.5 million and Mufulira's rising from £8.3 million to £9.6 million. It has not yet been announced how far—if at all—equity shareholders will benefit from this rise in earnings; but since these profits will still be subject to British taxes (the domicile of the companies was not formally transferred to Rhodesia until July 1st last) the increase in distributable earnings cannot have been very large.

This change in domicile and hence in taxation charges will, however, be a potent influence in the current year. Profits this year are almost certainly going to be lower; the trend of prices in the newly re-opened London copper market and the unhappy course of the squabble with the African workers' rather weird trade unions both point to that. But shareholders should remember that Rhodesian taxes will not eat profits away as voraciously as the British Treasury has done: it is too early to say that dividends for 1953-54 will necessarily go down.

Aid for Trade

WHEN the Select Committee on Estimates examined the Export Credits Guarantee Departments last year, its main recommendations were that the department should make the services it offers better known, and that some expansion of staff was probably necessary. This week the department published its reply to the committee's suggestions, which cautiously accepts the suggestions about publicity and reports that “authority for a number of additional grades in the higher posts” has been received from the Treasury. In the meantime, the Select Committee has been examining the other forms of assistance rendered British exports by the Government and semi-public organisations. In a report published at the end of last week, the Select Committee found this assistance in the main worthy of praise, but felt at the same time that it often failed to reach the exporters that probably most need help—the small companies.

The Government's commercial representatives abroad comprise Trade Commissioners in most Commonwealth countries and commercial diplomatic officers in most foreign countries; the first are members of the Board of Trade staff, the second members of the Foreign Service who also deal direct with the Board of Trade. Both the Board and the Foreign Office were broadly satisfied with this arrangement, though some trade and industrial organisations that use the services of both types of officer urged the Select Committee that the commercial diplomatic officers should come entirely under the Board of Trade. One point that counted with industry was that Trade Commissioners generally stay longer in one country and become thoroughly *au fait* with its trading requirements; the commercial diplomats, who are members of the Foreign Service expected to be proficient in other diplomatic functions, are transferred about the world more often. The Committee

THE ECONOMIST, SEPTEMBER 12, 1953

recommends that areas where there is enough work on export promotion to justify its separation from the general work performed by the commercial diplomatic officers, a Board of Trade official should be appointed; where trade considerations outweigh political considerations in the commercial sphere, a Board of Trade officer might be seconded to the commercial diplomatic post.

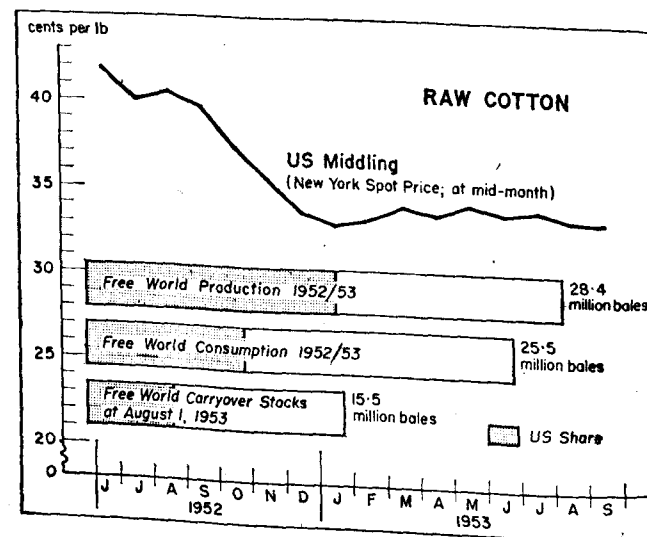
The Committee also examined the work in this field of such organisations as the Dollar Exports Council, the Council of Industrial Design, and the British Standards Institution, finding all three worth the Government financial assistance they receive. But it recommended to all these promoters of trade a special effort to reach

the very large number of smaller firms, producing goods of a high quality, who could export, but do not. . . . It is these smaller firms who for various reasons get least information and least encouragement.

The problem of reaching these manufacturers is not an easy one; and their reluctance to take risks on exports arises from the fact that it is beyond the means of all but larger firms to set up their own sales organisations abroad. The Dollar Exports Council believes that the answer here is the formation of collective selling organisations by groups of manufacturers whose products are allied but not competitive. Some such groups have been formed with some success; but as the Council said and the Select Committee agreed, the initiative here must arise within the industries concerned.

Stability in Cotton Prices

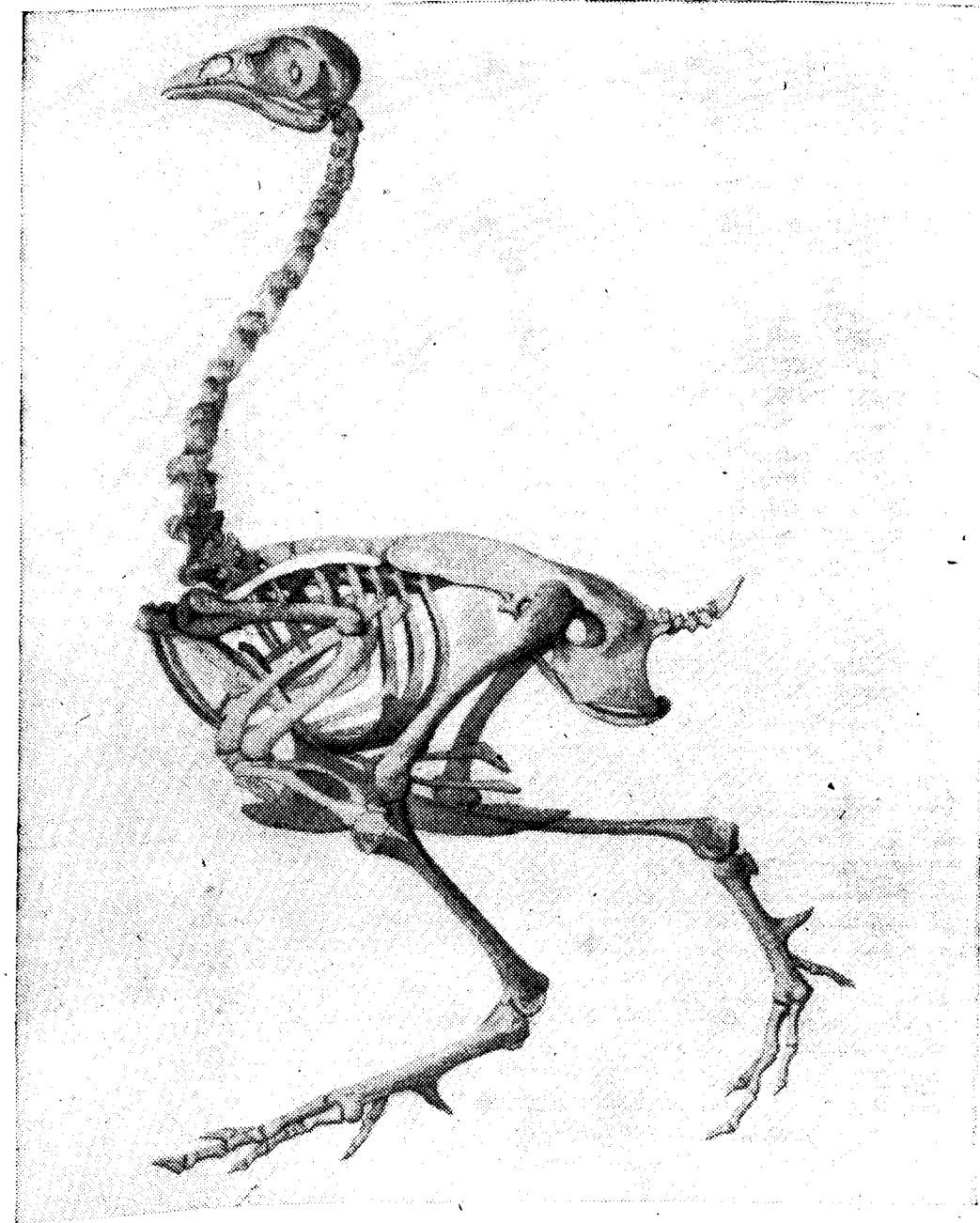
FOR the past four months American prices of raw cotton have been fairly steady at a cent or so above the domestic support level, fixed at 32.70 cents a lb for middling grade, 15/16th inch staple. Recently the pressure of supplies has pushed the spot price in New Orleans and New



York down to this basis, and October futures in New York are fractionally below it. The sharp fall of seven cents a lb between last September and the beginning of this year has deflated the absurd prices asked for certain foreign cottons, and latterly even Brazilian growths have been forced into line with the American market. The weight

THE ECONOMIST, SEPTEMBER 12, 1953

725



THIS skeleton of a hen, drawn by George Stubbs (1724—1806), our finest animal painter, comes from his work “A Comparative Anatomical Exposition of the Structure of the Human Body with that of a Tiger and a common Fowl”. Stubbs himself taught anatomy; and worked with the greatest anatomists and surgeons of his time. Together with the enormous progress made in surgery since those days has marched a corresponding advance in veterinary and agricultural knowledge. The outstanding examples are the perfection of animal feeding-stuffs and artificial fertilizers.

One of the problems attendant on the distribution of these essential materials was to find a strong yet light form of packaging. The multiwall paper sack was the answer. Millions are sold every year by Bowaters. But there is more here than a cheaper and more efficient packaging material. The sacks are non-returnable; and are burned after use. So one of the agents for the spreading of diseases like Fowl Pest and Foot and Mouth is given a complete check. Thus yet another branch of the Bowater Organisation helps in its way to prosper the mechanics of science.

Bowaters

NEWSPRINT • MAGAZINE PAPERS • GRAVURE PAPERS • BANKS & BONDS • PURE PRINTING PAPERS
CORRUGATED FIBREBOARD CONTAINERS • FIBRE DRUMS • MULTIWALL SACKS • PROTECTIVE WRAPPING PAPERS
PACKAGING PAPERS & BOARDS • PAPER BAGS • INSULATING BOARDS • HARDBOARDS

THE BOWATER PAPER CORPORATION LIMITED

Great Britain • United States of America • Canada • Australia • South Africa • Republic of Ireland • Norway • Sweden



"Sales Accounting is only the start"

went on the company secretary. 'Followed by what?' queried the managing director. "Powers-Samas machines are now used for invoicing, cost accounting, production control, stores ledgers, payroll, personnel records." 'Where?' "In factories, business houses, retail stores, banks, Government departments, municipal authorities, co-operative societies." 'Enough,' said the managing director. 'Let's see if Powers-Samas punched card methods can help to solve some of our staff problems.'

There is a range of Powers-Samas punched card equipment for every type of application.

POWERS-SAMAS

Powers-Samas Accounting Machines (Sales) Limited, Powers-Samas House, Holborn Road, London, W.C.1

of supplies on the one hand and the American support operations on the other have confined movements in world prices as a whole within a narrow range. Barring a "meteorological catastrophe" in the development of the American crop or a weakening in the support operations, neither of which is probable, this relative stability seems likely to continue for some time.

The Department of Agriculture's second estimate of the American crop has risen by 554,000 bales to a bumper 15,159,000, almost as much as the 15,136,000 bales produced in the 1952-53 season. Allowing for subsequent adjustments in the estimate, and the huge carry-over of 5.2 million bales, the total American supply this year should be something like 20 million bales. Possible increases this year in world consumption of cotton, and prospective reductions in the Egyptian and other crops, are trivial in comparison with this massive American supply. As in wheat, it is so greatly in excess of "normal demand," calculated this year at some 16.4 million bales, that the Department will almost certainly have to reduce the acreage of the 1954-55 crop, and to ask growers to vote for marketing restrictions if they wish to avoid a cut of about 45 per cent in the price supports.

Such measures could not ease the disposal problem this year. Yet the American cotton grower is not entirely friendless, despite the blunt refusal of the Secretary of Agriculture to subsidise exports. Raw cotton continues to be exported "for free" under the foreign aid programme, and in its last session Congress approved an export promotion scheme that would permit foreign countries to buy American cotton with local currencies, instead of dollars. And there is always the Commodity Credit Corporation to take into loan the cotton that growers do not care to sell at the market prices. It seems fated to do a record business this year.

Records from Pye

THE chairman of Pye, Ltd., announced at the annual meeting this week that the company is planning to enter the gramophone record business, but he did not amplify this bald statement. Since the war, an intensive effort has been made to widen the company's interests and make it less dependent on the precarious business of producing and selling domestic radio equipment. The market for transmission and industrial electronic equipment—which is one natural field for development—is, however, an extremely exacting one, and heavy research expenditure is inevitable if a company is to meet its demands. Pye has succeeded in building up a substantial reputation as a supplier of television studio equipment, but has made rather less headway in the market for complete transmitters. It has done well in industrial radio, and recently branched out in a limited scale into the manufacture of domestic electric appliances.

Its attraction to the record business obviously derives from the activity and interest aroused by the industry's introduction of long-playing techniques, which date from 1950. Despite the recent entry of a number of small producers—some of them concentrating upon specialised recordings for a limited market—the field is dominated by two big producers, Decca and Electric and Musical Indus-

tries. When Pye enters the market, it will have to do so in a big way, because capital investment in plant to press records is too heavy for small-scale production; the small producers generally have their pressings done under contract. Although record sales are booming, they do rely to a large extent on the name of the artists, orchestras, and bands on the label; and the majority of the big names are already under contract to one or other of the established producers in this country, Europe or the United States. There is a big export of records from this country; a total of 8.6 million, valued at £1.3 million, have been shipped abroad in the first seven months of the year. But this trade requires either the establishment of extensive distribution arrangements in the export markets or the negotiation of agreements to exchange catalogues with local producers. Outside the Commonwealth, the United States is one of the biggest customers for British records. Therefore while the market for records may look extremely promising, Pye may prefer to enter it through an agreement with established companies rather than by a frontal assault.

Freedom for Softwood?

ONE of the problems that Lord Woolton, the new Minister of Materials, has inherited from his predecessor is whether to advise the Chancellor of the Exchequer to abolish the last remaining control on softwood, the licensing of consumption. The question is how much this relaxation would add to Britain's import bill, and whether the country could afford it at the present time. Imports of softwood are running at an annual rate of about 1.2 million standards, a cost of some £78 million at the current average price of about £65 a standard, f.o.b. Over half of this softwood comes from Scandinavia, one-fifth from North America and most of the rest from eastern Europe. The latest official estimate of the increase in consumption that would follow decontrol—and it is merely an intelligent guess—puts it at about 110,000 standards in the first year, 80,000 in the second and 40,000 in the third, a total of 230,000 standards a year in three years. Assuming a rise in prices of about £5 a standard as a result of decontrol, the extra cost in the first year might be of the order of £10 million. By itself, this hardly seems likely to injure the balance of payments, but softwood is not the only candidate that Mr Butler has to consider for import liberalisation this autumn.

The timber trade, which has lost, perhaps for good, several important outlets for softwood during the years of restriction, argues that decontrol at the present time would not lead to a sharp inflation of demand and of prices, because stocks are adequate and domestic users are very price conscious. The Ministry, on the other hand, may feel that the tendency for prices to rise would be almost irresistible, and that if the softwood market is about to break, which it may be, this is not the time to abolish licensing. Playing the market is not, however, a proper function of government, and the attempt has seldom been successful. The whole subject is rife with imponderables. What is not in doubt is that the restrictions on usage have led to some wasteful substitution of other materials, and that decontrol would thus tend to promote lower costs and more flexibility in the economy. On these grounds it deserves a

high priority on the Chancellor's list. In any event, a decision should certainly be announced before the buying season begins in October.

More or Fancier Shoes?

BRITISH shoe factories use exactly the same machines as their American counterparts; but a survey has shown that the American plants studied did the same work in between 60 and 74 man-hours as twelve British plants did, on the average, in 100. The British Productivity Council, which has recently carried out an investigation into the progress made in this industry since an Anglo-American team reported on it three years ago, has therefore been exploring a field where British shortcomings might be thought to be due to bad management or restrictive labour practices rather than to any deficiency in capital equipment.

The council is able to report that the best British shoe factories are getting much the same results as the best in America; and it quotes 28 instances where different shoe-making concerns have raised their productivity in the last three years by introducing time and motion study, or by overhauling their systems for managing the flow of work through these plants, or by cutting down the number of styles in production. The first two of these remedies are clearly desirable. There are difficulties about the intro-

duction of work-study methods and piece rates in the shoe industry, because piece rates cut across the accepted structure of district wage agreements based on time rates and make future arbitration impossible; but as factories that have changed to piece rates have found that output rises sharply, it is clear that every effort needs to be made to overcome these difficulties. Similarly, concerns that have overhauled their methods of transporting work from one operation to another report substantial increases; it should be noted, however, that the best technique for ensuring an even flow of work through a shoe factory is not easy to discover—after several experiments, it has been proved, for example, that the normal conveyor system is not always the most suitable.

The Productivity Council treads upon much weaker ground when it suggests that one of the keys to efficiency lies in greater standardisation of production. In the shoe industry, as in so many other consumer trades, manufacturers have recently been complaining that men, as well as women, are demanding fancier shoes, and that this means lower productivity. It also reflects the difference between a buyers' and a sellers' market. While the great mass of the British shoe industry lags behind, a handful of manufacturers have reached a pitch of efficiency at which they were able to sell nearly £1 million worth of shoes to the United States in the first half of this year (a sixth of total shoe exports). The majority of these make shoes that are conspicuous for fashion and variety.

the directors may have changed their minds since then.

The full accounts are frankly an uninformative document. The directors' report reveals that the shipbuilding and engineering works continued to be "well employed," that there are still a consider-

	Years to Mar. 31	
	1952	1953
Consolidated earnings :—		
Trading profit	3,008,234	2,236,881
Total income	3,272,862	2,611,956
Depreciation	278,164	374,660
Taxation	1,892,455	1,280,282
Net profit	1,010,278	699,659
Ordinary dividends	323,083	323,084
Ordinary dividends (per cent)	7½†	7½†
Retained by subsidiaries	161,650	119,967
Added to carry forward	341,967	344,629
Cons. balance sheet :—		
Fixed assets, less depreciation	4,459,008	4,936,788
Quoted investments	3,710,206	2,546,789
Net current assets	5,326,900	6,195,339
Stocks	4,590,387	5,670,972
Cash	2,260,263	1,191,505
Reserves	6,338,847	6,683,088
Ordinary capital	4,307,787	4,307,787

£1 ordinary stock at 36s. yields 8 1s. per cent.
† Tax free.

ODEON THEATRES. The preliminary statements from the J. Arthur Rank group of cinemas and film-producing companies—Odeon Theatres, Gaumont-British, and British and Dominion Film—show that all three companies continued their recovery in the year to June 27th last. The trading profits of Odeon Theatres rose from £6,397,278 to £6,762,467 and its net profits from £834,620 to £1,190,532; part of this rise in net profits can be attributed directly to a reduction in the company's interest charges (from £774,984 to £611,719), which, in turn, has sprung from a further reduction (of £971,740) in its bank overdrafts. Similar influences appear to have been at work in the accounts of Gaumont-British, where an advance in trading profits (from £2,895,094 to £3,103,467) has also been accompanied by a fall in interest charges (from £111,787 to £36,148) and by a rise in net profits (from £331,079 to £361,065). In the accounts of the smallest member of Mr Rank's trinity—British and Dominion Film—trading profits rose in much the same modest proportions (from £331,392 to £356,928), while net profits rose from £92,845 to £125,119.

This continuing recovery in profits and strengthening of the group's finances have immediately benefited shareholders. As Mr Rank promised last year, the preference dividend of Odeon Theatres has been brought up to date by payments for the last two years, although equity share-

holders are necessarily still left without dividends. The directors of Gaumont-British have again declared an ordinary dividend of 7½ per cent, while British and Dominion Film has re-entered the ordinary dividend list by declaring a dividend of 5 per cent. The directors of this latter company also intend to repay in cash 3s. on each of the company's redeemable preference shares later this year; this repayment will reduce the nominal value of each share to 17s., but it will not affect the right of shareholders to receive a premium of 3s. on each share when these shares are finally redeemed. The trends in the cinema trade that presumably underlie these modest increases in earnings are discussed in a Business Note on page 720.

JOHN BROWN. Shareholders of John Brown, perhaps the best known of all shipbuilding concerns in this country, will have to wait until the company's annual general meeting before they can know what caused the fall in the group's trading profits (from £3,008,234 to £2,236,883) in the year to March 31st last. At this meeting they will also be eager to know what the company intends to do when its former holdings in the steel industry are put up for resale to the public; last spring the chairman described any repurchase by the company of these earlier holdings as "improbable," but

able number of contracts on hand, and (rather surprisingly) that production is still being held up by shortages of steel. But it gives no answer to the important question of whether the fall in profits has been mainly due to a rise in working costs or merely to the uneven and accidental incidence of the completion of contracts. The group's balance sheet confirms that the yards are still busy, despite outside indications that some shipping companies are revising their commitments for new tonnage. The net value of the group's stocks and work in progress has risen from £4,590,387 to £5,670,972; this rise must

conceal an even bigger expansion in the gross value of stocks and work in progress (that is, before instalments received on account of work in progress have been included in the reckoning), but the directors have not disclosed any detailed information about this. In spite of the fall in net profits (from £1,040,278 to £699,659), the ordinary tax-free dividend of 7½ per cent has been repeated. Although it seems in no danger at the present level of trade, it would be very vulnerable if world recession returned.

★

GEORGE COHEN. In their amply documented set of accounts for the year to March 31st last, the directors of George Cohen (which controls the "600" group of iron, metal and machinery merchants and engineers) go to some pains to explain to shareholders that they must not expect the recent brilliant flow of results from the company to be maintained in the current year. Indeed last year's high turnover was only achieved because the company was willing to allow profit margins to be cut substantially below their exceptional level of 1951-52. In consequence, although the value of gross sales soared from £14,823,000 to £21,615,000, trading profits advanced only slightly (from £2,020,477 to £2,058,242) and net profits—thanks to increased charges for depreciation, bank interest and taxation—actually fell quite heavily, from £704,018 to £451,728. But this did not prevent the directors from effectively increasing the ordinary dividend rate from 10.4 per cent to 12 per cent; in 1951-52 the actual rate of dividend was 26 per cent but this was paid on a capital of £600,000 before last year's 150 per cent scrip issue of shares. Although the company's 5s. ordinary

stock has proved to be an expanding equity in recent years, stockholders should note that this latest increase in equity payments is a little hard to square with the chairman's warning that the group's orders are slackening and that he is expecting "a substantial reduction in turnover, with a consequent fall in earnings" this year. There are still three

	Years to Mar. 31	
	1952	1953
Consolidated earnings :—		
Gross sales	14,823,000	21,615,000
Trading profit	2,020,477	2,058,242
Total income	2,051,579	2,082,610
Depreciation	168,535	228,452
Taxation	1,111,500	1,296,156
Net profit	704,018	451,728
Ordinary dividends	81,900	97,688
Ordinary dividends (per cent)	26	12
Retained by subsidiaries	329,303	253,220
General reserve	250,000	...
Added to carry forward	7,377	5,946
Cons. balance sheet :—		
Fixed assets, less depreciation	1,713,188	2,060,271
Net current assets	3,923,473	4,168,790
Stocks	3,793,414	4,028,360
Cash	156,362	160,696
Bank overdraft	272,922	283,538
Reserves	2,631,410	2,030,097
Ordinary capital	600,000	1,500,000

5s. ordinary stock at 9s. 6d. yields 6 6s. per cent.

cushions beneath the equity. Ordinary dividend payments still absorb only £97,688 out of net profits of £451,728; it is clear that taxation will not make such sweeping inroads into profits in 1953-54 as it did in 1952-53, when EPL alone absorbed £290,140; and the diversified interests of the group should protect it from the worst calamities. But these cushions, at best, suggest that ordinary shareholders can afford to sit quiet for a while.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950 = 100)					Average Yields (per cent)				
	Aug. 26, 1952	Dec. 30, 1952	June 30, 1953	July 28, 1953	Aug. 25, 1953	Aug. 26, 1952	Dec. 30, 1952	June 30, 1953	July 28, 1953	Aug. 25, 1953
	1952	1952	1953	1953	1953	1952	1952	1953	1953	1953
2½% Consols	84.2	82.4	85.2	85.8	85.6	4.20	4.29	4.15	4.13	4.13
Debt stocks :										
Industrial	78.2	81.1	83.7	84.0	84.1	5.26	5.08	4.92	4.90	4.89
Investment trust	78.6	81.8	82.7	84.2	84.3	5.25	5.05	4.99	4.90	4.89
Preference stocks :										
Industrial	83.5	85.6	87.8	87.7	88.0	5.43	5.30	5.17	5.17	5.15
Investment trust	80.2	84.0	85.3	85.3	85.4	5.50	5.25	5.17	5.17	5.16
Ordinary stocks :										
Banks	81.2	81.2	88.1	89.7	90.8	4.98	4.98	4.61	4.56	4.50
Industrial insurance	99.2	97.8	106.7	107.4	111.1	5.73	5.80	5.34	5.30	5.21
Investment trust	107.7	110.5	117.1	120.3	124.0	5.74	5.69	5.89	5.73	5.57
Electrical engineering	90.9	93.7	94.9	97.1	99.6	6.03	5.91	6.35	6.23	6.05
Engineering	101.7	105.1	104.5	107.8	110.6	5.42	5.34	5.65	5.48	5.34
Motors and aircraft	102.8	105.1	104.0	106.4	112.0	6.28	6.36	6.54	6.40	6.06
Breweries	98.0	98.2	91.9	93.4	95.0	6.49	6.50	7.06	6.93	6.84
Chain stores	102.2	108.2	133.1	136.6	141.1	4.84	4.58	4.73	4.61	4.47
Cotton textiles	87.3	85.9	89.2	93.0	97.6	7.84	7.74	7.08	6.82	6.52
Household goods	83.0	90.3	85.1	86.8	97.3	6.90	6.62	5.84	5.73	5.48
Rayon	67.6	70.9	69.3	74.4	77.1	7.98	7.52	5.08	4.70	4.49
Tobacco	80.8	84.9	81.6	82.4	82.7	7.17	6.83	7.23	7.16	7.13
Wool textiles	76.8	79.4	85.6	90.9	96.0	7.51	6.48	6.25	6.47	6.22
Chemicals	114.4	114.0	111.1	116.5	119.0	5.40	5.51	5.56	5.30	5.19
Oil	113.8	104.7	104.0	110.1	112.2	6.40	7.14	7.40	7.02	6.91
Shipping	98.5	101.9	105.4	107.8	108.4	7.08	7.05	7.21	7.00	7.00
Total (capital goods)	100.2	102.9	102.2	104.5	107.8	5.87	5.87	6.27	6.15	5.95
Total (consumption goods)	87.6	91.7	94.5	96.9	100.4	6.81	6.48	6.45	6.32	6.15
Total industrial (all classes)	95.7	97.5	98.4	101.3	104.5	6.35	6.29	6.42	6.25	6.08

LONDON STOCK EXCHANGE

Next Account begins : September 16th
Next Contango Day : September 16th
Next Settlement Day : September 22nd.

ALTHOUGH the industrial market had been a little uneasy before the week-end, the advance in equities was resumed when the markets opened this week. By contrast, prices in the gilt-edged market moved somewhat irregularly, with trading very slack and most stocks tending to lose a little ground. Dominion and Colonial issues were also torpid, and home banking shares drooped slightly. The West German election results prompted a burst of activity in the foreign market, where the Young loan was marked up as much as 4 points to 8½; later in the week, however, these German Government issues lost part of their earlier gains. Japanese issues were marked slightly lower, but Peruvian stocks remained in demand. In the foreign railways sector there was very active trading in United Railways of Havana following the news that the Cuban Government was to purchase the railway.

By the close on Wednesday the Financial Times ordinary share index had improved to 124.3, compared with 123.9 a week before. Most of the "blue-chips" shared in this week's rally; in particular, Imperial Chemical were marked up on Wednesday in response to vague rumours that the interim dividend was to be increased and that a bonus issue of shares was to be made. One of the most active sectors in the industrial market was the shops and stores group; "Gussies" continued to soar, and at the close on Wednesday the shares were quoted at 43s. 3d. (compared with 35s. 10½d. a week earlier). Although the market in oil shares was quiet, prices edged upwards, with chief interest concentrated upon Canadian Eagle. Rubber and tea shares continued to attract a fair number of inquiries. Kaffirs became firmer on a renewal of Continental buying, which was later supplemented by some local support. Copper shares were generally firmer, but tin shares, after initial rises, had turned a little easier by mid-week.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Sept. 2 ...	123.9	109.16	4.12	5.66
" 3 ...	124.1	109.17	4.12	5.65
" 4 ...	124.0	109.17	4.12	5.66
" 7 ...	123.8	109.19	4.12	5.67
" 8 ...	123.9	109.17	4.12	5.67
" 9 ...	124.3	109.16	4.12	5.64
1953, High.	125.0	109.19	4.12	5.66
" Low.	113.9	105.68	" 4	7,033
(May 20)	(Jan. 5)	" 7	" 8	7,706
1952, High.	121.5	106.66	" 8	7,405
" Low.	103.1	100.67	" 9	"
(June 24)	(July 3)	"	"	"

* July 1, 1925 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Sept. 9		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 2, 1953	Price, Sept. 9, 1953	Net Yield, Sept. 9, 1953 %	Gross Yield, Sept. 9, 1953 %	Prices, 1953 Jan. 1 to Sept. 9	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 2, 1953	Price, Sept. 9, 1953	Yield, Sept. 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	1 5 1	2 9 1	39 10 1/2	32 3/4	10 1/2	ENGINEERING	37 6	37 6	6 13 4
99 1/2	98 1/2	Exchequer 2 1/2% 1955	99 1/2	99 1/2	1 6 3	2 7 6	14 3/4	19 10 1/2	15 1/2	5 a Cammell Laird 5	11 6	12 -	7 15 0 1/2
101 1/2	99 1/2	Exchequer 3% 1960	101 1/2	101 1/2	1 9 8	2 16 8	55 4 1/2	45 3/4	5 a	10 b Guest Keen N'bold 1	50 6	50 6	5 18 10
99 17 1/2	99 1/2	Serial Funding 1 1/2% 1953	99 17 1/2	99 17 1/2	0 4 0	2 8 9	51 1 1/2	44 6	2 1/2 a	12 1/2 b Vickers 1	49 3	49 6	6 1 3
99 1/2	98 1/2	Serial Funding 1 1/2% 1954	99 1/2	99 1/2	1 7 1	2 7 4				TEXTILES			
101	100 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	1 0 1	2 10 11	31 -	21 4 1/2	7 b	4 a Bradford Dyers 1	29 -	29 -	7 11 9
100	98 1/2	War Bonds 2 1/2% '54-56	99 1/2	99 1/2	1 7 1	2 10 2 1/2	28 9	21 4 1/2	11 c	12 Brit. Celanese 10	27 -	26 3	6 1 1 1/2
100 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 6 0	2 12 4 1/2	48 1 1/2	41 4 1/2	5 a	7 1/2 b Coats (J. & P.) 1	46 -	45 -	5 11 1
101 1/2	99 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	1 6 10	2 14 6 1/2	46 10 1/2	37 3/4	5 a	6 1/2 b Courtaulds 1	46 -	45 6	4 18 11
102 1/2	99 1/2	War Loan 3% '55-59	102 1/2	101 1/2	1 8 2	2 14 7 1/2	48 10 1/2	38 6	10 b	5 a Lancs. Cotton 1	46 6	48 6	6 3 9 1/2
96 1/2	91 1/2	Savings Bonds 3% '55-65	96 1/2	96 1/2	1 19 11	3 7 9 1/2	65 6	49 -	4 a	16 b Patons & Baldwins 1	63 6	65 -	6 3 1
98 1/2	93 1/2	Funding 2 1/2% '56-61	98 1/2	97 1/2	1 14 11	2 17 5 1/2	81 6	73 -	7 1/2 a	12 1/2 b Assoc. Elect. 1	78 9	79 4 1/2	5 0 9
91 1/2	86 1/2	Funding 3% '59-69	91 1/2	90 1/2	2 7 5	3 15 10 1/2	37 6	33 3/4	2 a	8 b Brit. Insulated 1	37 -	37 -	5 8 1
93 1/2	87 1/2	Funding 3% '66-68	93 1/2	93 1/2	2 3 5	3 11 10 1/2	60 6	51 -	10 b	5 a English Elect. 1	52 6	52 6	5 14 3
101 1/2	98 1/2	Funding 4% '60-90	101 1/2	101 1/2	2 1 11	4 0 0	46 -	36 6	3 1/2 a	7 1/2 b General Elect. 1	37 6	37 6	6 0 0
90 1/2	85 1/2	Savings Bonds 3% '60-70	89 1/2	89 1/2	2 8 10	3 17 9 1/2	19 6	15 6	5 a	MOTOR & AIRCRAFT			
89 1/2	84 1/2	Savings Bonds 2 1/2% '64-67	89 1/2	89 1/2	2 7 1	3 12 0 1/2	19 6	15 6	5 a	6 1/2 b Bristol Aero 10	16 10 1/2	17 -	5 17 8 1/2
103 1/2	100 1/2	Victory 4% '20-76	102 1/2	101 1/2	2 0 9	3 16 4 1/2	7 3	5 8 1/2	17 1/2	4 a British Motor 5	7 1 1/2	7 1 1/2	7 6 0 1/2
87 1/2	82 1/2	Savings Bonds 3% '65-75	86 1/2	86 1/2	2 9 2	3 18 9 1/2	35 10 1/2	23 6	7 1/2 c	7 1/2 c De Havilland 1	27 -	27 -	5 11 1
92 1/2	86 1/2	Consols 4% aft. Feb. '57	91 1/2	91 1/2	2 8 1	4 7 8 1/2	34 -	25 1 1/2	15 c	15 c Ford Motor 1	32 6	31 -	4 16 9 1/2
82 1/2	77 1/2	Conv. 3 1/2% aft. April '61	81 1/2	81 1/2	2 7 0	4 5 5 1/2	43 10 1/2	36 6	5 1/2 b	6 a Hawker Siddeley 1	42 6	43 6	5 5 8
61 1/2	57 1/2	Treas. 2 1/2% aft. April '75	60 1/2	60 1/2	2 5 5	4 2 7 1/2	96 3	78 6	25 c	2 c Leyland Motors 1	86 3	86 3	5 15 11
72 1/2	67 1/2	Treas. 3% aft. April '66	70 1/2	70 1/2	2 6 8	4 4 9 1/2	66 6	58 6	25 c	2 a Raleigh Ind. 1	28 1 1/2	28 1 1/2	5 18 6 1/2
92 1/2	87 1/2	Treas. 3 1/2% '77-80	91 1/2	91 1/2	2 7 10	4 1 10 1/2	7 0 1/2	5 3 1/2	12 c	10 b Rolls Royce 1	62 6	62 6	4 16 0
91 1/2	90 1/2	Treas. 3 1/2% '79-81	91 1/2	91 1/2	2 7 7	4 1 3 1/2	7 0 1/2	5 3 1/2	12 c	12 c Standard Motor 5	6 9	6 9	8 17 9
81 1/2	76 1/2	Redemption 3% '86-96	80 1/2	80 1/2	2 7 3	3 18 5 1/2	21 6	19 -	20 c	5 a Boots Pure Drug 5	21 -	21 -	4 15 3
82 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52	82 1/2	82 1/2	2 6 11	4 5 9 1/2	33 4 1/2	16 6 1/2	22 1/2 b	12 1/2 a Debenhams 4	30 6	31 3	4 5 3
62	58 1/2	Consols 2 1/2%	60 1/2	60 1/2	2 5 4	4 2 3 1/2	100 7 1/2	85 7 1/2	5 a	17 1/2 b Lyons (J.) "A" 1	98 9	97 6	4 12 4
88 1/2	83 1/2	Br. Elec. 3% '68-73	86 1/2	86 1/2	2 9 10	3 19 1 1/2	62 3	46 3	15 a	35 b Marks & Spen. "A" 5	59 6	60 3	4 3 0
86 1/2	82 1/2	Br. Elec. 3% '74-77	85 1/2	85 1/2	2 8 10	3 18 6 1/2	58 10 1/2	44 3	55 c	20 a Woolworth 5	57 3	57 6	4 15 8
102 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	100 1/2	100 1/2	2 6 0	4 4 0 1/2				OIL			
93	88 1/2	Br. Elec. 3 1/2% '76-79	92 1/2	92 1/2	2 6 7	4 0 5 1/2	56 7 1/2	40 1 1/2	5 a	30 b Anglo-Iranian 1	7 1	7 1 1/2	4 11 1
82 1/2	76 1/2	Br. Trans. 3% '78-88	81 1/2	81 1/2	2 9 1	4 0 5 1/2	56 7 1/2	40 1 1/2	2 1/2 a	12 1/2 b Burmah Oil 1	55 7 1/2	56 3	5 6 8
88 1/2	83 1/2	Br. Trans. 3% '68-73	86 1/2	86 1/2	2 9 11	3 19 2 1/2	43 1/2	29 1/2	4 a	12 b Royal Dutch 100 fl.	43 1/2	43 1/2	4 14 11
99 1/2	95 1/2	Br. Trans. 4% '72-77	99 1/2	99 1/2	2 5 9	4 2 8 1/2	89 6	75 7 1/2	5 1/2 a	10 1/2 b Shell Reg. 1	88 1 1/2	88 1 1/2	6 3 9
82 1/2	76 1/2	Br. Gas 3% '90-95	81 1/2	82 1/2	2 6 11	3 18 6 1/2	29 1 1/2	23 -	11 1/2 b	5 1/2 a Trinidad L'holds 5	27 -	27 6	5 10 1
95 1/2	91 1/2	Br. Gas 3 1/2% '69-71	94 1/2	94 1/2	2 6 7	3 19 3 1/2	44 1 1/2	34 6	13 1/2 b	2 1/2 a Cunard 1	38 -	38 6	8 6 2
99 1/2	95 1/2	Br. Gas 4 1/2% '69-72	98 1/2	98 1/2	2 5 5	4 1 7 1/2	62 10 1/2	52 9	6 a	14 b P. & O. Def. 1	62 6	62 6	6 8 0
							30 9	24 -	10 c	10 c Royal Mail 1	26 -	26 -	7 3 10 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 Sept. 9		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Sept. 2, 1953	Price, Sept. 9, 1953	Yield, Sept. 9, 1953 %
High	Low					
88 1/2	81 1/2	Aust. 3 1/2% '65-69	89 1/2	89 1/2	4 3 3 1/2	32 6
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65	93 1/2	93 1/2	3 18 4 1/2	49 3
98 1/2	89 1/2	S. Africa 3 1/2% '54-59	96 1/2	96 1/2	4 1 5 1/2	57 6 1/2
68	60 1/2	L.C.C. 3% aft. 1920	69 1/2	70	4 5 9 1/2	88 4 1/2
91	84 1/2	Liverpool 3% '54-64	93 1/2	93 1/2	3 14 8 1/2	64 9
91 1/2	85 1/2	P.L.A. 3 1/2% '66-71	91	91	4 4 8 1/2	64 9
103 1/2	97 1/2	Agrie. Mort. 5% '59-89	102	102	4 12 3 1/2	56 3
68 1/2	61 1/2	Austria 4 1/2% '34-59	73	73	4 12 5 1/2	50 9
13 1/2	5 1/2	Chinese 5% 1915	15 1/2	15 1/2		
68 1/2	43 1/2	German 4%	56 1/2	59 1/2		
85 1/2	45	German 4 1/2%	77 1/2	77 1/2		
145 1/2	103	Japan 5% 1907	128 1/2	129		

Prices, 1953 Jan. 1 to Sept. 9		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Sept. 2, 1953	Price, Sept. 9, 1953	Yield, Sept. 9, 1953 %
High	Low							
66 10 1/2	58 1 1/2	7 a Barclays "B" 1	65 6	64 6	4 6 10			
54 9	46 3	6 a Lloyds "A" 1/2 pd.	54 -	54 -	4 8 11			
73 -	64 -	8 a Midland 1, fully pd.	72 -	72 -	4 8 3			
74 1 1/2	59 3	8 1/2 a N. Prov. "B" 1/2 pd.	73 -	72 -	4 14 5			
82 -	70 -	9 a Westminster 1/4, 1 pd.	80 -	79 6	4 10 7			
75 9	67 6	10 b Alexanders 1/2, 1 pd.	75 3	75 9	4 12 5			
51 3	41 4 1/2	5 a Nat. Dist. "B" 1	50 -	50 -	4 0 0			
46 3	39 -	5 b Union Dist. 1	46 -	45 -	4 8 11			
39 7 1/2	32 3	4 a Barc. (D.C. & O.) "A" 1	37 -	36 -	4 8 11			
49 -	39 3	7 a Chart. Bk. of India 1	42 6	42 6	6 11 9 1/2			
		INSURANCE						
8 1/2	7 1/2	50 a Leg. & Gen. 1, 5/8 pd.	8 1/2	8 1/2	3 18 3			
21 1/2	17 1/2	40 1/2 b 20 a Pearl 1, fully pd.	21 1/2	21 1/2	5 2 8			
38 1/2	32 1/2	100 c 105 c Prudential "A" 1	37 1/2	37 1/2	5 2 6			
		BREWERS, ETC.						
131 6	114 9	33 b 10 a Bass 1	116 3	117 6	7 6 4			
17 7 1/2	15 9 1/2	7 1/2 a 15 b Distillers 4	17 -	16 9 -	5 7 6			
31 1 1/2	27 -	10 b 7 a Guinness 10	30 3	30 3	5 12 5			
10 -	8 -	8 b 4 a Ind Coope 5	8 6	9 -	6 13 4			

+ 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 5/8%. (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%. (m) Dividend of 1 1/2% for 4 months; yield basis 10 1/2%. (n) Yield basis 8 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 12 1/2% after capital bonus. (t) Yield basis 19 7/8% gross. (u) Yield basis 30%. (v) Yield basis 7 1/2%.

New York Closing Prices

	Sept. 2	Sept. 9		Sept. 2	Sept. 9		Sept. 2	Sept. 9
Balt. & Ohio	23	22 1/2	Am. Smelting	29 1/2	28 1/2	Inter. Paper	50 1/2	50 1/2
Can. Pac.	23 1/2	24	Am. Viscoe	42 1/2	41 1/2	Nat. Distill.	17 1/2	18
N.Y. Cent.	21 1/2	21 1/2	Col. of Amer.	23 1/2	23	Sears Roebuck	56 1/2	56 1/2
Pennsyl.	19 1/2	19 1/2	Chrysler	66 1/2	67 1/2	Shell	70 1/2	70 1/2
Amer. Tel.	154 1/2	155 1/2	Gen. Elec.	72 1/2	72 1/2	Std. Oil of N.J.	71 1/2	70 1/2
Stand. Gas	18 1/2	18 1/2	Gen. Motor	55 1/2	56 1/2	U.S. Steel	36 1/2	35 1/2
United Corp.	4 1/2	5	Goodyear	46 1/2	46 1/2	Westinghouse	42 1/2	43 1/2
W. Union Tel.	44 1/2	44 1/2	Inter. Nickel	38 1/2	39 1/2	Woolworth	43 1/2	43 1/2

* Ex div.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Sept. 5th	Western Europe : Production and Trade.....	Sept. 5th
Production and Consumption	This week	British Commonwealth	This week
Manpower.....	Aug. 22nd	Western Europe : Prices and Money Supply	Aug. 22nd
External Trade.....	Aug. 29th	United States	Aug. 29th
Financial Statistics	This week		
Industrial Profits	Aug. 1st		

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	May	June	July	April	May	June	July
INDUSTRIAL PRODUCTION												
Index :		1948=100	114	117	114	117	112	102	118	123	119	112-113
All industries.....		"	104	108	109	112	106	94	111	110	105	...
Mining and quarrying.....		"	105	101	104	102	110	102	...	...	...	...
Building and contracting.....		"	116	124	127	113	108	104	132	119	116	...
Gas, electricity and water.....		"	116	121	115	120	113	102	119	126	121	...
Manufacturing, total.....		"	116	127	127	130	126	111	...	...	...	...
Engineering, shipbuilding, electrical goods.....		"	121	124	123	135	124	110	128	139	...	...
Vehicles.....		"	124	134	131	129	129	115	...	...	...	...
Chemical trades.....		"	117	116	99	97	86	83	113	118	...	...
Textiles and clothing.....		"										...
BASIC MATERIALS												
Production of :	W	'000 tons	4,149	4,275	4,332	4,438	4,228	3,765	4,365	4,332	4,160	3,376
Coal (1).....	W	"	185	186	202	201	200	202	213	215	211	202
Pig-iron.....	W	"	313	301	310	312	313	274	349	351	338	277
Steel, ingots and castings.....												
Sulphuric acid.....	M	"	150.2	133.8	125.5	113.0	105.0	103.0	159.0	153.4	147.4	...
Newsprint.....	W	"	10.46	10.13	10.32	11.06	11.17	7.26	11.60	13.11	11.86	...
Electricity (1).....	M	mn. kwh	4,543	4,964	5,166	4,584	4,127	4,108	5,269	4,856	4,626	4,489
MANUFACTURING												
Textile production :	W	mn. lb	20.23	20.71	14.82	12.57	10.97	10.76	17.48	18.45	17.04	15.46
Cotton yarn, single.....	M	"	18.91	16.61	14.84	13.59	11.90	14.38	17.82	17.14	18.30	...
Worsted yarn.....	M	"	30.94	32.00	23.59	19.55	11.74	15.41	32.75	36.91	35.04	37.10
Rayon and synthetic fibres, total.....	M	"	14.44	13.93	10.59	7.10	2.40	4.57	14.81	17.60	17.62	18.20
Rayon and synthetic fibres, staple fibre.....	W	mn. yds	40.8	42.3	32.5	31.9	26.9	20.1	33.8	35.8	36.1	25.2
Cotton cloth, woven.....	M	mn sq yds	37.5	34.8	31.5	28.8	25.6	31.5	32.2	31.1	34.0	...
Wool fabrics, woven.....												
Engineering production :	W	'000s	10.05	9.15	8.62	9.57	8.20	7.51	11.05	12.65	11.51	13.21
Passenger cars and chassis.....	W	"	5.02	4.96	4.65	5.09	4.40	4.52	4.19	4.92	4.33	4.57
Commercial vehicles and chassis.....	M	'000 tons	9.63	11.09	12.58	11.20	13.04	11.54	14.12	13.13	11.82	...
Metal-working machine tools.....	M	'000BHP	298	353	331	389	328	302	303	332	308	...
Internal combustion engines.....												
BUILDING ACTIVITY												
Permanent houses completed (1)	M	'000s	16.51	16.24	19.99	19.49	20.47	19.99	23.26	26.01	26.60	27.21
Total.....	M	"	2.28	1.88	2.86	2.35	2.75	2.76	4.44	4.61	5.22	5.55
For private owners.....	M	"	13.64	13.55	16.11	16.20	16.59	16.08	17.70	20.15	20.15	20.09
For local housing authorities.....	M	"	0.60	0.81	1.03	0.95	1.13	1.15	1.12	1.25	1.23	1.56
Other.....												
WHOLESALE SALES (1)												
Textile houses :		Av. value										
Total home sales.....		1950=100	100	104	90	90	64	63	96	91	69	67
Women's and children's wear.....		"	100	100	90	91	62	60	101	94	65	66
Men's and boys' wear.....		"	100	104	82	90	66	66	92	92	78	70
Piece-goods.....		"	100	103	68	66	46	44	62	67	51	56
RETAIL SALES (1)												
Large retailers :		Weekly										
All merchandise.....		av. value										
Clothing and footwear.....		1950=100	100	109	117	116	114	117	118	126	121	...
Household goods.....		"	100	110	110	118	109	113	105	126	109	...
Independent retailers :		"	100	108	102	94	87	101	103	111	95	...
Clothing and footwear.....		"	100	100	95	106	90	102	89	109	89	...
Household goods.....		"	100	112	109	102	90	97	112	125	105	...
STOCKS												
Basic materials :		'000 tons	12,423	16,115	16,311	14,986	16,531	17,703	12,812	13,895	15,181	15,809
Coal, distributed (1).....		"	995	585	739	580	657	762	868	902	...	...
Steel.....		"	104.3	113.4	132.0	114.1	106.8	107.6	165.4	182.5	185.9	...
Copper.....		"	81.1	99.4	211.8	142.0	148.6	186.2	170.5	160.5	159.4	...
Sulphur.....		"	99.0	109.9	189.7	148.7	162.9	166.0	158.0	157.9	149.0	...
Newsprint.....		'000 stds.	217	724	616	648	657	677	602	618	694	...
Softwood.....		"										...
Textiles :		Av. value										
Wholesale houses, total (1).....		1950=100	86	129	74	113	107	100	86	87	89	99
Large retailers, clothing and footwear (1).....		"	89	106	92	120	113	98	112	110	108	...

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	...
1951.....	1,468	1,215	2,869	2,142	508	12.5	875	4,785	...	288	...
1952.....	1,620	1,153	3,019	2,235	646	14.7	942	5,149	489	...	...
1953											
March.....	1,607	997	3,076	2,313	633	15.5	1,052	5,780	538	311	1,098
April.....	1,402	906	3,244	2,249	682	...	1,017	5,748	531	254	1,064
May.....	1,396	917	3,159	2,322	782	...	1,121	5,765	...	336	1,149
June.....	1,469	...	3,148	...	874	...	...	...	...	...	...

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												
March.....	18.7	25.8	6.5	43.9	6.24	165	328	136	107	88.7	379	990.1
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	...	...	87.0	369	997.9
June.....	18.8	32.0	7.5	44.4	4.16	172	...	...	...	...	...	969.8
July.....	16.8	31.0	6.5	52.1	...	...	...	...	...	...	...	1,030.1

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												
March.....	44.2	90.2	360	313	471	490	14.37	22.23	99.7	155.4	40.09	27.36
April.....	43.3	79.4	393	307	555	388	12.68	26.87	78.6	91.7	37.41	28.22
May.....	44.2	73.3	...	380	574	401	...	...	67.3	113.0	36.01	27.70
June.....	43.0	75.2	...	412	...	...	...	...	...	...	32.90	24.48

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												
March.....	...	1,847	1,767	184	347	...	119	118	132	...	128	136
April.....	...	1,848	1,751	200	331	...	119	118	...	...	128	137
May.....	...	1,764	1,740	220	322	...	119	120	...	...	129	137
June.....	...	1,752	1,745	221	...	...	119	122	...	...	131	137
July.....	...	1,758	...	221	...	...	...	...	...	...	...	137

(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 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) Monthly average of first quarter.

EXCHEQUER RETURNS

For the week ended Sept. 5th there was an "above-line" deficit (after allowing for Sinking Funds) of £23,950,000 compared with a surplus of £12,294,000 in the previous week and a deficit of £39,451,000 in the corresponding period last year, raising the cumulative deficit to £207,563,000 (£266,823,000 in 1952-53). Net expenditure "below-line" absorbed £5,227,000, bringing the total cumulative deficit to £409,343,000 (£532,655,000 in 1952-53).

'000	Estimate 1953-54	April 1, 1952 to Sept. 6, 1952	April 1, 1953 to Sept. 5, 1953	Week ended Sept. 6, 1952	Week ended Sept. 5, 1953
Ord. Revenue	1782,250	443,240	419,093	21,652	21,036
Income Tax.....	127,000	30,000	29,700	700	600
Sur Tax.....	127,000	30,000	29,700	700	600
Death Duties.....	160,000	65,200	71,700	1,600	2,500
Stamps.....	52,000	21,450	23,100	600	1,000
Profits Tax & E.P.T.	214,000	169,300	88,500	6,200	6,900
Excess Profits Levy	99,500	...	27,950	...	1,500
Special Contribution	1,000	880	430	50	50
Inland Revenue.....	...	...	...	...	...
Total Inland Rev.	2435,750	730,070	660,473	30,802	33,586
Customs	1044,300	446,078	455,329	20,513	20,622
Excise	680,480	325,933	323,443	4,640	5,465
Total Customs and Excise	1724,780	772,011	778,772	25,153	26,087
Motor Duties	69,000	11,763	13,143	369	279
PO (net receipts).....	2,685	...	1,800	...	1,200
Broadcast Licences.....	16,000	4,050	4,750	...	...
Sundry Loans.....	25,000	18,758	19,234	10,013	8,694
Miscell.....	95,000	32,700	51,595	406	2,000
Total	4369,215	1569,353	1529,767	66,743	71,846
Ord. Expenditure	615,000	261,631	262,152	38,300	33,853
Debt Interest.....	...	...	...	...	...
Payments to N.I.	48,000	17,192	20,848	2,557	2,197
Ireland Exchequer.....	10,000	4,538	4,397	24	7
Other Cons. Fund.....	3586,286	1537,511	1434,392	61,300	55,500
Supply Services.....	...	...	...	...	...
Total	4259,286	1820,871	1721,789	102,181	91,557
Sinking Funds	...	15,285	15,541	4,013	4,239
'Above-line' Surplus or Deficit	...	266,823	207,563	39,451	23,950
'Below-line' Net Expenditure	...	265,807	201,780	4,540	5,227
Total Surplus or Deficit	...	532,655	409,343	44,016	29,177
Receipts from:					
Tax Reserve Certificates.....	55,929	103,758	11,998	14,634	...
Savings Certificates.....	12,350	9,800	150	400	...
Defence Bonds.....	44,376	26,734	497	631	...

THE MONEY MARKET

PRESSURE upon the market from the heavy intake of Treasury bills recently has culminated this week in a phase of marked credit stringency. On Thursday and Friday before the weekend, the authorities left the discount houses almost "on their own," and one or two of them were obliged to seek seven-day loans at the "penalty" terms. On each of the subsequent business days up to Wednesday last the authorities have given aid, yet new money in the market has commanded rates up to 2½ per cent.

The need for borrowings at the Bank did not become apparent until just after the tenders for last week's bills; but the current stringency and the increase in the bill offering to the record level of £300 million led the market to reverse the tactics adopted at the previous tender. Having then raised its bid by 2d., it last week reduced it by 3d., to £99 8s. 1d. per cent; and, although the market proportion dropped from 77 to 66 per cent of its applications, the average rate for the whole allotment rose very sharply. Yesterday's offer was likewise for £300 million; and, if fully allotted, the issue will again exceed maturities by £30 million. The effect of the stringency and the rise in the tender rate has been to establish the clearing banks' buying rate for November bills at 2½ per cent, with ½ per cent above that for purchases made in response to indirect aid.

The Bank return shows a further moderate reflux of currency, but this was fully neutralised, whilst the visible effect of the week's market borrowings was offset by an increase in public accounts.

London Money Rates

Bank rate (from 2½% 11/3/52)	%	Discount rates	%
Bank bills: 60 days...	3	Bank bills: 60 days...	3
3 months...	3	3 months...	3
6 months...	3½	6 months...	3½
12 months...	4	12 months...	4
Deposits (max).....	2	Deposits (max).....	2
Discount houses.....	2	Discount houses.....	2
Money—Day-to-day... 2-2½		Fine trade bills:	
Short periods..... 2-2½		3 months... 4-5	
Treasury bills 2 months 2½		4 months... 4½-5	
3 months 2½		6 months... 4½-5	

* Applicable to seven-day loans against approved bills of exchange and bonds; for loans against Treasury bills the rate is 3½ per cent.

BANK OF ENGLAND RETURNS

	1952			1953		
	Sept. 10	Sept. 2	Sept. 9	Sept. 10	Sept. 2	Sept. 9
Issue Department:						
Notes in circulation.....	1,452.0	1,543.5	1,540.4	1,452.0	1,543.5	1,540.4
Notes in banking dept.....	48.4	31.8	35.0	48.4	31.8	35.0
Govt. debt and securities.....	1,496.8	1,571.8	1,571.8	1,496.8	1,571.8	1,571.8
Other securities.....	0.7	0.7	0.7	0.7	0.7	0.7
Gold coin and bullion.....	2.9	2.9	2.9	2.9	2.9	2.9
Banking Department:						
Deposits:						
Public accounts.....	15.1	9.6	14.7	15.1	9.6	14.7
Treasury special account.....	30.5	31.6	19.9	30.5	31.6	19.9
Bankers.....	266.0	278.7	275.8	266.0	278.7	275.8
Others.....	65.9	68.0	67.8	65.9	68.0	67.8
Total.....	377.5	387.9	378.2	377.5	387.9	378.2
Securities:						
Government.....	324.2	352.3	337.7	324.2	352.3	337.7
Discounts and advances.....	5.8	6.6	8.0	5.8	6.6	8.0
Other.....	16.0	13.2	13.5	16.0	13.2	13.5
Total.....	346.0	372.1	359.2	346.0	372.1	359.2
Banking department reserve.....	49.9	34.3	37.4	49.9	34.3	37.4
"Proportion".....	13.2	8.8	9.9	13.2	8.8	9.9

* 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						
Sept. 5	260.0	308.6	260.0	49	8.58	79
1953						
May 1	210.0	351.1	210.0	47	7.37	34
" 8	240.0	347.4	240.0	47	7.83	56
" 15	250.0	345.8	250.0	47	8.01	62
" 22	250.0	343.3	250.0	47	7.94	62
" 29	260.0	346.9	260.0	47	4.01	70
June 5	270.0	339.3	270.0	47	4.52	74
" 12	270.0	353.1	270.0	47	4.26	69
" 19	270.0	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	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

EXPORT QUESTIONS NEED EXPERT ANSWERS



*Will they take
ships in
South
America?*

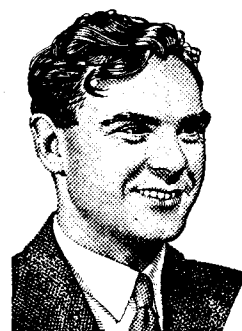
WHETHER you are exporting liners or launches, tractors or transformers, the markets of Latin America pose special questions about currency, import regulations and exchange control. As the only British Bank with branches throughout Latin America, we are particularly well equipped to answer these questions promptly and accurately, and to advise and assist you in many other ways.

Our *Fortnightly Review*, a digest of reports sent in from our 56 Branches in South and Central America, is an invaluable summary of economic information for all who trade in these markets. We shall be glad to send you a specimen copy on application to:—

The Research Department (SECTION 34)

BANK OF LONDON & SOUTH AMERICA LIMITED

HEAD OFFICE: 6, 7 AND 8, TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE RD. MANCHESTER: 36 CHARLOTTE ST.



PEOPLE LIKE THIS

ASK THE MAN FROM THE

PRUDENTIAL

'MAN UNDER FORTY'
Recently married; comfortable home. An engineer with moderate salary but good prospects; is renting flat.

Wants maximum protection for wife and future family at lowest possible cost; at same time would like to provide a lump sum or income at 65.

The Prudential Conversion Option Plan is the one which will meet all these needs.



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

**ABBEX NATIONAL
BUILDING SOCIETY**

HEAD OFFICE: ABBEY HOUSE, BAKER STREET, LONDON, N.W.1

For address of Local Office see Telephone Directory



THE PHILADELPHIA NATIONAL BANK

1803
150 YEARS OF
BANKING SERVICE
1953

Capital and Surplus . . . \$55,000,000

Deposits \$780,000,000

Frederic A. Potts, *President*

T. Graydon Upton, *Vice President*
FOREIGN DEPARTMENT

Bankers for
The City of Philadelphia
and
The Commonwealth of Pennsylvania

*We conduct the largest domestic and foreign banking
business in Philadelphia and the Delaware River area*

PHILADELPHIA 1, PA., U.S.A.
Cable Address: PHILABANK

Established in 1845.
All classes of Insurance
transacted including
Fire, Life, Accident,
Motor, Marine and
Aviation. Represented
throughout the world.



Head Offices

North John St. | Lombard St.
LIVERPOOL | LONDON



THE CAMEL TRAIN:

Transport takes many forms to-day in the ancient walled city of Kano. For though lorries, railways and aeroplanes now carry goods and passengers to and fro with modern speed and comfort, the long, slow, padding lines of the camel trains still wend their way in from the Sahara as they have done from time immemorial. The routes these camel trains follow are mainly the routes of the old caravans, which were originally the only trade links between the interior of Africa and the Mediterranean. Banded together for protection against bandits—a caravan might contain as many as twenty thousand camels—the old merchants made their deliberate way from oasis to oasis across the great desert, carrying gold, ivory, ostrich feathers, cotton cloth and corn.

Our branches in Nigeria are particularly well placed to answer your questions on market conditions, or local commercial undertakings. Please address your initial enquiries to our Intelligence Department, 54 Lombard Street, London, E.C.3.

BARCLAYS BANK
(DOMINION, COLONIAL AND OVERSEAS)



COMPANY MEETINGS

METAL INDUSTRIES LIMITED

RECORD OUTPUTS AND PROFITS BY ELECTRICAL COMPANIES

RESEARCH AND DEVELOPMENT SECTIONS STRENGTHENED

MR R. W. McCRONE REVIEWS THE YEAR'S OPERATIONS

The thirtieth annual general meeting of Metal Industries Limited was held on September 8th at the registered office of the company, 145 St. Vincent Street, Glasgow, C.2.

Mr R. W. McCrone, the chairman, who presided, said:

Ladies and Gentlemen,—I would like to say how pleased we are to see our Honorary President, Sir Donald Pollock, with us today. Sir Donald continues to take a keen interest in the affairs of the Group, and as we do not so often see him nowadays, it is most gratifying that he has been able to attend this annual meeting.

I have to report, with regret, the death of Mr J. C. Wallace, one of our original directors. Mr Wallace was a great assistance to the company, especially during the early years, and we are sorry indeed that this link with the early days of the company has been broken.

Last year I told you how our Group was organised in divisions, each division having its own chairman and board of directors. I also gave you a brief description of the type of work carried on by the companies in the divisions. This year I propose to tell you how these divisions and some of the more important companies have fared during the year under review, the early part of the current year and what I consider are their prospects.

PROFITS

The consolidated profit of the Group at £1,477,905 did not quite equal last year's record profit figure of £1,638,380. This was occasioned mainly by reduced earnings by the metals division, which did not have a repetition of the unusual opportunities of the previous year and latterly by the impact of general engineering recession on the engineering division.

On the other hand, the charge for taxation at £858,971, which includes £36,500 for Excess Profits Levy, is down by £166,881, with the result that the net profit, after taxation, is rather increased at £618,934 against £612,528. The directors have placed £250,000 to general reserve, increasing it to £1,250,000, and after making minor provisions and setting aside the amount required for the proposed ordinary dividend, we have a total of retained profit in the Group to carry forward of £511,494 against £459,010.

DIVIDEND

The interim dividend of 4 per cent, less tax, already paid, and the final dividend of 8 per cent, less tax, now recommended, make a total ordinary dividend of 12 per cent for the year, which is equivalent to last year's rate of 15 per cent on the smaller ordinary share capital then subsisting.

BALANCE SHEET

The total for investments is reduced by some £460,000, representing the proceeds of adjusting sales of ordinary stock of The British Oxygen Company, Limited, and shares of subsidiary companies, and loans to them have increased by about the same amount, reflect-

ing the disposal of the cash arising from the investment sale.

CONSOLIDATED BALANCE SHEET

Stocks and work-in-progress are increased by approximately £500,000 as a result partly of increased level of trading and partly of the particular state of some contracts at the balancing date. Stocks are well controlled, and only in the case of one company are they regarded as more than normal to a moderate extent through an easing of customer demand which we hope to be temporary.

YEAR UNDER REVIEW

Investment Division: The directors took advantage of the opportunity afforded during the year by the bonus and cash issues of ordinary shares by The British Oxygen Company, Limited, to adjust the Group's holding to £1,500,000 ordinary stock against £1,100,000 previously held. Our holding had increased over the years from rights issues and in other ways, and the directors felt it opportune when the occasion arose this year to adjust the balance somewhat in favour of the company's other interests, whilst at the same time following out their basic policy of retention of a very substantial holding of British Oxygen ordinary stock.

This adjustment resulted in the realisation of a capital profit of £172,550, which has been credited to investment account and deducted from the book value of the investment, so that the £1,500,000 stock now held stands in the books at a value of 36s. 1d. per £1 unit in comparison with a Stock Exchange value of over 56s. The income from our investment holding will not be varied by these changes to any material extent.

Electrical Division: All the home companies in this Division have had record outputs and profits.

During the year a major rearrangement of the top management of the Division was completed and the new arrangements are working well. The outcome of these changes has been a much more flexible organisation and a wider sphere of activity for the senior executives with widened opportunities for the development of the Division as a whole.

At the same time the research and development sections have been strengthened in order to intensify the progress of new lines and the improvement of existing ones.

Last year I told you that Cantie Switches Limited was passing through a development period and I am glad to report today that this has progressed well and that the company has contributed to the profits of the Group for the year under review.

Our electrical subsidiary in South Africa is not yet showing a profit but is making steady progress.

Metals Division: A year ago two companies in this Division—Cox & Danks Limited and John Allan & Company (Glenpark) Limited—had high profits. These were brought about partly by the scarcity conditions then prevailing which inflated the value of all re-usable material, and non-ferrous metals. The year in this section was one of great variation in prices and of

unsettled conditions, with a natural effect on the profits of these two companies which were lower than the previous year.

In shipbreaking there was a great scarcity of ships for breaking up in the early part of the year and the yards were not fully occupied. As the year advanced the supply of ships steadily improved and at the end of the year the yards were working well up to capacity.

The shipbreaking activities, previously organised under Metal Industries (Salvage) Limited, have been concentrated since April 1, 1953, under our separate company, Ship-breaking Industries Limited, which continues to operate with satisfactory results.

Engineering Division: The sales of Sentinel (Shrewsbury) Limited during the past year show an increase over the previous year, with considerably improved earning capacity. Unfortunately, during the latter part of the year orders for certain products for export were cancelled, resulting in losses for which provision had to be made. Certain provisions also had to be made in writing down stock and work-in-progress and in bringing finished stock to a level in line with market conditions. The value of orders on hand at present, including Government contracts, is considerably in excess of the value at the corresponding period last year, although I must here give a word of warning that prices have had to be cut to very fine margins to obtain the business.

Fawcett, Preston & Company Limited had quite a good year but orders fell away to a certain extent towards the end of the year. It is hoped that this is only a temporary phase and the matter is having the close attention of those immediately concerned.

Ferrous Castings Limited also had a fairly good year, but in common with most grey iron foundries business fell away sharply about the beginning of 1953. This slackening in demand was attributed to customers being over-stocked and for a time the foundry was working only four days a week. I am glad to say that the position is now improving slightly and increased orders are being received.

CURRENT YEAR

Investment Division: Our holding in The British Oxygen Company Limited is now £1,500,000 ordinary stock, and assuming maintenance of the existing rate of ordinary dividend our return on this investment should remain materially unaltered. For information regarding the prospects of that company I refer you to the encouraging speech by the chairman at the last annual general meeting.

Electrical Division: The results so far this year are fully satisfactory and up to expectation. There is plenty of work on hand to keep the companies fully occupied for a considerable period ahead and I look forward with confidence to their producing good results at the end of the year.

Metals Division: Trading continues to be unsettled for the companies dealing in non-ferrous and ferrous scrap metals, and this has to some extent affected their results. However, there is indication that conditions are settling down and we hope that the

results for the remainder of the financial year will show an improvement over the early part of the year.

Engineering Division: Our engineering companies continue under the influence of the quick change from the seller's to the buyer's market involving the acceptance of business on a keener basis.

This, with the reduced demand also in several directions for capital goods, is affecting our position and, whilst we cannot yet say to what extent from a profit point of view, it is clear that our profits meantime are at a reduced rate.

That, then, is our position so far in the current year.

STAFF

We are very sorry that Mr Carnegie has decided to retire from the main board, having reached the statutory retirement age, but we are very pleased he has agreed to remain as chairman of one of our Divisions. Mr Carnegie has not been with the company for many years, but during his time with us he has been of great assistance, particularly in our Electrical and Engineering Divisions, in guiding the affairs of various subsidiary companies. Our best wishes go with him in his semi-retirement.

I have also to report the retirement of Mr Jerman, of The Hughes Bolckow Shipbreaking Company Limited, due to ill-health. Mr Jerman has been managing director of that company for many years and has brought it up to a very high state of efficiency, culminating in record results for last year. We extend to him our best wishes for a long and happy retirement.

Since the end of the year Mr Fleming, managing director of Igranic Electric Company Limited, has found it necessary for health reasons to relinquish his appointment. He has been managing director of that company for many years and has been largely responsible for its growth. We are very pleased, however, that although Mr Fleming has retired as managing director, he has agreed to remain as chairman of Igranic so that we shall still have the benefit of his advice.

I am pleased to be able to report that we have now started a works pension scheme. The response by employees has been most gratifying and fully justifies the launching of the scheme and the financial liability involved.

The directors of many of our subsidiary companies have been asked during the year to shoulder greater responsibilities and they have fully justified the extra duties entrusted to them. We have had the usual loyal service from our managers, staff, and operators, and I am sure that you will all join with me in thanking them for this loyalty and work.

PROSPECTS

Now I shall conclude with a brief summary of this year's prospects.

I expect this year that we shall again have good results from the Electrical Division.

In the Engineering Division, the change to the buyer's market and the lessening of demand for capital goods are likely to affect our profits adversely but I hope not to a great extent.

Shipbreaking, although it is not a large contributor to profits, will give an improved profit. The non-ferrous and ferrous scrap metal companies, I think, will show improved results for the remainder of the year.

I look forward to a result overall that will be found satisfactory despite any reduction in the total of profits that may be occasioned by continuance of the special factors I have mentioned.

PINCHIN, JOHNSON & ASSOCIATES, LIMITED

A DIFFICULT TRADING YEAR

FURTHER DEVELOPMENT AT HOME AND OVERSEAS

MR G. R. T. TAYLOR'S STATEMENT

The annual general meeting of Pinchin, Johnson & Associates, Limited, was held, on September 9th, at the Connaught Rooms, Kingsway, W.C., Mr G. R. T. Taylor (the chairman) presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended March 31, 1953:

The report of the directors has referred to the reduced demand experienced in the period under review. This has resulted in net profits of the parent company and its subsidiaries, after all charges other than taxation, declining to £1,256,400, against £1,773,372 for the previous year, a reduction of approximately 29 per cent.

Total taxation of £718,159 was incurred on the 1952-53 profits, compared with £1,076,178 on the profits of 1951-52. After deducting profits attributable to minority shareholders the parent company's proportion of the net profit for 1952-53 is £422,496, compared with £520,893 available from the previous year's results.

I draw your attention to your company's balance sheet, as at March 31, 1953, which reveals a considerable improvement in liquid resources. Cash at £1,343,828 and tax reserve certificates of £425,000 compares with cash £434,359 and no tax reserve certificates, at March 31, 1952. The large increases arose mainly from the receipt of the proceeds of the issue of 54 per cent unsecured loan stock made during the year, and by a subsequent reduction in stock levels.

In anticipation of lower prices, we had initiated the reduction of stocks in advance of the fall in values which occurred in many raw materials, with the result that the depreciation incurred by your company was not unduly heavy, although some of our overseas subsidiary companies recorded depreciation in excess of normal. It will therefore be appreciated that the parent company's own trading results are an accurate reflection of the difficult conditions experienced throughout the year in the United Kingdom. Your directors are of the opinion that the fall in certain raw material values may for the time being continue, and in this connection you will recall that the contingencies and stock depreciation reserve was increased to £500,000 as at March 31, 1952.

In view of the possibility of future stock depreciation and the continuation of difficult trading conditions, your directors have decided, as a precaution, to maintain the reserve at the present figure and to recommend the payment of a final ordinary dividend of 12½ per cent, making a total of 20 per cent for the year. The adoption of this proposal will increase the balance carried forward in the parent company's profit and loss account by approximately £37,000.

The consolidated balance sheet now incorporates the assets and liabilities of the French company. Until 1952-53, when we obtained a majority interest in that company, our investment was included under the heading "trade investments."

It is anticipated that the item "bank loans and overdrafts," amounting to £912,959, shown in the consolidated balance sheet, and which relates to the overseas subsidiary com-

panies, will be substantially reduced in the present year.

DEVELOPMENTS AT HOME AND OVERSEAS

The acquisition of a controlling interest in Roxalin of Canada, Limited, has been completed, and part of the cost of our holding already paid leaving the balance to be settled in the near future. Our cash resources are ample to enable us to meet the call without embarrassment.

Since the close of our financial year, we have concluded the acquisition of a substantial interest in the Fishburn Printing Ink Company, Limited, of Watford, England, who have a first-class reputation in their trade. This investment will extend your interests to the printing ink field and is expected to yield a satisfactory return to your company.

Taubmans Industries, Limited, our Australian company, last year opened a new works in Brisbane, Queensland, which is illustrated in the supplementary pages accompanying the annual report. Since the close of their financial year the Australian company has disposed of their chemical company on satisfactory terms. The proceeds of the sale will augment the resources of the Australian company and permit the further extension of their surface coating activities. The capital profit resulting from the disposal of the chemical company will be reflected in the next balance sheet of Taubmans Industries, Limited, and the next consolidated balance sheet of the parent company and its subsidiaries. In the opinion of your directors, these developments will be to the ultimate benefit of shareholders.

GENERAL REVIEW

The reduced demand for the products of our industry in 1952-53 led to increased competition. You will be interested to know that the profits of the parent company were diminished by approximately the same proportion as were the profits of the overseas subsidiary companies. Thus the recession in the industry was experienced not only in the United Kingdom but also in many overseas markets.

I said last year in my statement to shareholders that it was probable that demand in the earlier months of 1951-52 was to some extent encouraged by the inflationary conditions then prevailing. The policies adopted by the British and other Governments to combat inflationary forces have since appeared to be having some success in curbing the unhealthy situation which was developing. Indeed, the reaction which has occurred in many industries, including the paint industry, may be one of the inevitable processes of adjustment. I am, however, convinced that if Governmental policies assist in achieving a reasonable degree of price stability, they will ultimately be to our advantage.

In 1952-53 the raw material position improved; our sales were not restricted to any considerable extent by lack of supplies of essential materials, but since then production

difficulties have occurred due to inadequate supplies of titanium pigments.

In our last financial year, your company's progress was retarded by circumstances beyond our control. The main problem we had to face, acute competition due to decreased demand, still confronts us. Despite this, we remain convinced of our ultimate progress and during the past year have carried our plant modernisation programme a stage further. Besides increasing our capacity, the steady development of our Manu-

facturing Units, Research and Laboratory activities that has taken place during the last few years has enabled us to maintain the pre-eminent quality of our established finishes and develop new coatings for industrial and decorative purposes. Our ability to supply a wide range of modern surface coatings to meet the exacting standards required by customers is therefore greater than ever before and I am confident that your company will quickly benefit from any increase of general demand which may occur in the coming months.

TATA IRON AND STEEL COMPANY, LIMITED

MR J. R. D. TATA'S SPEECH

The annual general meeting of the Tata Iron and Steel Company, Limited, was held on September 3rd in Bombay.

Mr J. R. D. Tata, Chairman of the company, presided, and in the course of his speech said:

"Since we last met a year ago important developments have taken place on the world's political and economic scene. Whatever the reason may be for the apparent change in Soviet policy, it could no longer be doubted that it has eased international tension both in Europe and the Far East, and brought hopes of better days to millions of peace-hungry people." Business and industry in particular should unreservedly welcome it, continued the Chairman "for there are few more untrue and yet more studiously fostered theories than that capitalism thrives on war or preparations for war. In actual fact, war and its aftermath of economic chaos more than any other factor in this century have been responsible for the decline or disappearance of capitalism, and, along with it, of democracy in large parts of the world. While business and industry may derive temporary stimulus from war orders, in the long run they can flourish only under conditions of peace and stability in which the people have an inducement to save and to build for the future."

MIXED ECONOMY

Commenting on the concept of a mixed economy for the country, which in India has found broad public acceptance and in which business and industry were anxious to co-operate, Mr Tata said, "A mixed economy, however, implies the co-existence of state enterprise and free enterprise, and cannot mean a wholly state-dominated economy where the industrial class is temporarily tolerated and permitted to survive pending further developments. A mixed economy can only function if there is within the community a balance of forces, with free enterprise operating as one of the autonomous forces pulling its weight alongside state enterprise, trade unions and other elements in society.

"I am led to make these observations," continued Mr Tata, "because I have noted a tendency on the part of Government, perhaps not deliberate, to deny to free enterprise a voice, or even consultation, in matters vitally affecting it or the economy as a whole. The manner in which, for instance, the Indian air transport industry was recently nationalised and the terms on which this was done would seem to indicate that Government sees no reason to carry with it the industrial sector and its representatives or even to give them a hearing before making up its mind. May I suggest that the time has come for Government to clarify their position and to state whether their ultimate goal is in fact a mixed economy, in which both sectors are permitted to function efficiently, or a state monopoly of all industrial enterprise.

"In contrast with conditions in our own country, a clear reversal of trend is taking place in most other free countries of the world after many years' experience of state ownership and rigid control of all economic activities. The truth is beginning to dawn, elsewhere at least, that state socialism in action as distinct from theory is hardly the economic and social panacea claimed by its advocates and that it does not lead to a classless society but to a dangerous concentration of all economic power into a few bureaucratic hands, which while acceptable in a totalitarian state is irreconcilable with real democracy."

This, explained the Chairman, was not a plea for a return to old-time "laissez-faire" in economic matters, for the interest of the nation as a whole had to prevail over the interest of the few. Mr Tata felt that the realistic and well-thought-out policies free from doctrinaire considerations and aimed at encouraging production, fostering savings, recognising honest and efficient management while deterring anti-social activities, would go a long way towards energising free enterprise and instilling in the private sector that sense of trusteeship advocated by Mahatma Gandhi. Such policies in respect of the private sector combined with state enterprise in appropriate fields, assistance to small-scale and cottage industries, and to the co-operative movement, land and social reforms and measures to control the growth of India's population, would provide the right kind of programme to revolutionise the economic activity of the country and to make a real success of the concept of a mixed economy.

POPULATION

Touching on the question of India's population, Mr Tata pointed out that it was increasing at the rate of nearly five million a year which meant that India would have to find work each year for an additional two and a half million employable men and women. "As the land is already overburdened with man-power," continued Mr Tata, "employment would have to be found for them outside agriculture, that is, in industry and services. Even assuming a much smaller capital expenditure per industrial worker than in western countries and a high proportion of employment in small-scale industries and services, requiring little or no capital equipment, the financial and other requirements are well beyond our present means."

Mr Tata observed that if it were possible for the next twenty-five or fifty years to keep the population of India static or at least reduce the rate of its growth, which was not beyond the medical, scientific and administrative possibilities of the day, the whole picture would change and every successive advance in India's economic output would result in some improvement in the living standards of the country. The Chairman, therefore, pleaded once again that "early

In conclusion, I am sure you will join me in thanking the management, members of the staff and all other workers throughout the world for their co-operation and loyalty in a year of trying conditions.

The report and accounts for the year ended March 31, 1953, were adopted, and a final dividend of 12½ per cent (less tax) was declared on the ordinary shares, making 20 per cent (less tax) for the year. The retiring directors were re-elected and the auditors' remuneration was fixed.

steps be taken to undertake a continuous and scientific study of this vital problem in its biological, economic and social aspects, for it is only on the basis of established facts and possibilities that subsequent action can be taken if found necessary and practicable."

Mr Tata, however, said that he could not for a moment suggest that in the negative task of controlling the growth of India's population lay the universal remedy for economic ills. "But," added he, "such control is necessary to enable constructive work to bear fruit. Real progress could be achieved only if, simultaneously, we continued to make every effort to increase the productivity of our country."

RATIONALISATION

Speaking on the subject of rationalisation, Mr Tata observed, "We are faced here with a continuing reluctance to learn from the experience of a century of industrialisation in Europe and America and to accept the fact that increased productivity does not lead to unemployment, but, through increased purchasing power, to enlarged opportunities for employment."

Continuing, he said, "If in their anxiety to deal with the present unemployment in the country our political and labour leaders adopt policies which frustrate attempts at improving efficiency and output *per capita* in industry such policies will jeopardise any chance that India may have of rapid economic progress, destroy her competitive position in world markets and, as a result, ultimately lead to still greater unemployment."

PROFIT-SHARING BONUS

Mr Tata informed the meeting of the fresh profit-sharing agreement with the Tata Workers' Union on terms similar to those of the previous agreement but with the percentage of net profits payable to labour increased from 27½ per cent to 30 per cent. He said that the management and the union, had discussed at length the means by which labour output could be increased and it had been agreed that the existing incentive schemes should be modified so as to lay greater emphasis on productivity. They had also had helpful discussions on the ways and means by which efficiency could be increased and discipline promoted.

TARIFF COMMISSION INQUIRY

Mr Tata then referred to the Tariff Commission's recommendation for a 2 per cent increase in the return on the gross block, subject to such increase being taken to reserve for the specific purpose of modernisation and expansion. This recommendation had been rejected by Government on the grounds that they had already agreed to advance to the company a loan of Rs 10 crores (£7,500,000) towards the financial requirements of the expansion programme.

In this connection, Mr Tata observed that Government must be aware that it could not possibly attract risk-capital, either Indian or foreign, to the steel industry on the basis of a gross return of 8 per cent and a net return of 3½ per cent. "Considering that the lack of capital has been, since the war, the main obstacle to the creation of the additional steel capacity so badly wanted by the country," continued Mr Tata, "I hope that Government will find it possible to reconsider the position they have taken up on this issue."

DEFERRED SHARE CONVERSION SCHEME

Referring to the deferred share conversion scheme, Mr Tata said that the legal and other formalities required to put through the scheme were in hand. Mr Tata mentioned two points concerning the scheme. One referred to the issue of bonus shares by the company, subject to the approval of the Government of India, of one new ordinary share for every ordinary share held after conversion. The other referred to the assurance given by him in 1950 and again in 1951 that the directors would not raise fresh capital in the near future and until the investment market improved. This assurance was renewed, said Mr Tata, "to the extent that we can finance such expansion out of internal savings and borrowings, we shall do so, but if, in view of the enormous cost of iron and steel-making plant, we have to seek funds beyond our own savings, some issue of capital may prove necessary. However, no decision to issue fresh capital will be taken without consulting the shareholders."

EDUCATIONAL GRANTS

The Chairman recalled that in his speeches of the last two years, he had mentioned the decision of the managing agents to forego a part of their commission with a view to placing it at the disposal of the company for providing engineering and other educational facilities in the areas in which the company's main operations are carried on. "In pursuance of this decision," he announced, "the managing agents waived a sum of Rs 7½ lakhs (£56,250) for each of the last two years and Rs 5 lakhs (£37,500) this year, bringing the total to the figure of Rs 20 lakhs (£150,000), subject to tax, which they originally had in mind. Out of the funds so made available, the board have already sanctioned grants of Rs 4 lakhs (£30,000) for a college in Chaibassa, Bihar, a little under a lakh (£7,500) spread over the next five years for engineering scholarships to Bihar students, Rs 6 lakhs (£45,000) to the Bihar Institute of Technology at Sindri, and Rs 3 lakhs (£22,500) for setting up a Polytechnic Institute in Hirakud, Orissa. These grants and proposals were in addition to the maintenance of a chair in geology in the Patna University at a cost of Rs 18,000 (£1,350) per annum.

The report and accounts were adopted.

GOLDEN HOPE RUBBER ESTATE, LIMITED

The annual general meeting of the Golden Hope Rubber Estate, Limited, will be held on September 30th, in London.

The following is an abstract of the address of the chairman, Sir Eric Macfadyen, circulated with the report and accounts:

At the close of the company's year in February, 1953, we had in all 16,947 acres of rubber and 2,419 acres of palms, 90 per cent of the rubber being mature and 10 per cent immature while all the oil palms except 81 acres were immature. All the immature plantings are postwar, 1,097 acres of them planted in the period under review. In the

current year we are adding 477 acres of replantings and new plantings, 381 acres of rubber and 96 acres of palms.

The company's present issued capital, £654,146, together with share premiums of £14,497 and development reserve, now standing at £275,000, total £943,643, which amount, the balance sheet shows, is largely invested in the fixed assets, which have a book value of £938,403.

The crop accounted for was 5,961,489 lb of rubber and the surplus of income over expenditure was £201,843 before taxation. After taxation £117,323 remains. This is raised by the balance from last year, £31,250, and by war damage grants, £29,127 net, to £177,700. The cost of the 7½ per cent interim dividend paid last October and the 10 per cent now recommended, making 17½ per cent for the year, is £52,135. Transfers to reserves take £85,074, leaving a carry-forward of £40,491 unappropriated to next year.

PYE LIMITED

CONTINUED PROGRESS

The twenty-fourth annual general meeting of Pye Limited was held on September 9th in London.

Mr C. O. Stanley, CBE, chairman of the company, presided, and, in the course of his speech, said:

Some people have written and asked my opinion on the commercial television dispute, but being a member of the Television Advisory Committee, I am not allowed to make any statement meantime. However, as soon as I am permitted, I will be delighted to state my personal feelings on this quite frankly.

Other letters have dealt with purchase tax and the credit stringency that restricts our export sales. I can add little to what has already been said in the report on the question of purchase tax, but there is one point that ought to be considered by the Government at the earliest possible moment. In our industry from the very earliest stage in production a television or radio set is identified by a number, by which it can be traced throughout its life, and in this respect it differs from most forms of bulk merchandise. The burden imposed on our retailers when a reduction in purchase tax occurs could be avoided by an early decision by the Government to allow rebates of purchase tax on identifiable goods held in stock by retailers at the time of reduction.

We have told you that the export market is becoming increasingly difficult, but in spite of this we have taken steps to increase our sales by making a special effort in this field during the present year. Our export organisation has established its contacts in fresh countries, and it is our intention this year to send several of our executives abroad to promote sales, and to obtain information that will help us to exploit the overseas market more fully.

GRAMOPHONE RECORD BUSINESS

For a number of years your company has wished to have an interest in the gramophone record business. We are at this moment actively planning to enter this new field of manufacture and selling, and we hope to be able to make a definite announcement in the very near future.

Our new television industrial camera is now in production, and the first models will be going to overseas customers within a very short time. Already it is clear that all over the world there is a large demand for this product.

After making full allowance for the reductions made last year in purchase tax and

income tax we have calculated that out of every 20s. we receive for radio and television sets sold, no less than 7s. 2d. is taken by the Government in taxation of one form or another and only 4d. is left. Out of this 4d. we have to pay dividends to shareholders. Only the small sum remaining is available for future expansion and the increased cost of replacing capital assets. For this reason we have from time to time to raise fresh capital.

In practically every section of the organisation production efficiency has been improved, business has been extended, and profits have been made. For the first five months of this year our turnover has been larger than during the same months in any previous year. Nobody can tell whether this progress will continue without interruption. Despite the costs of expansion we must remember that the television market has only just begun in this country and has an enormous future. That alone should ensure the success of the company for many years to come.

The report was adopted.

WILLIAMS & WILLIAMS LIMITED

HIGH PRESTIGE OF COMPANY'S PRODUCTS

INCREASE OF CAPITAL APPROVED

The forty-fourth annual general meeting of Williams & Williams Limited was held on September 4th at Reliance Works, Chester, Mr B. A. Williams, OBE, MIPE, chairman of the company, presided, and, in the course of his remarks, said:

Ladies and gentlemen, it seems fitting that in this Coronation Year I should present to you a report of the most satisfying results your company has yet achieved, but the present occasion is also the source of much personal pride. So closely has the Williams' family been associated during the past century with the manufacture of metal windows that today Williams' windows enjoy an enviable prestige throughout the civilised world.

The trading profit of the group amounts to £570,954, an increase over the previous year of £159,043. Taxation takes a very large proportion of the profits and amounts to no less a sum than £365,087 being in excess of £1,000 per day for the year ahead.

Permission has been obtained from the Capital Issues Committee for an increase in the issued capital of the company, partly by the capitalisation of part of the company's reserves, and partly by issue of new ordinary shares for cash. Your directors will in consequence be able to proceed with the developments and equipment necessary for the continued expansion of your business both at home and overseas.

I have over the years expressed my views on the inadequacy of depreciation allowances and the heavy burden of taxation. We hope that it will become a recognised part of national policy to reduce these burdens to such an extent that British industry can out of its net profits, after taxation, give effect to a uniform policy of continual modernisation. This would permit industry to operate at a lower rate of gross profit and not only make an important contribution to the lowering of the cost of goods in the home market but also improve its ability to meet competition in overseas markets.

GREATER FREEDOM OF RAW MATERIALS

I am pleased to inform you that with the exception of sheet steel our raw materials are now freer than they have been for many years, and we can now contemplate the development of those markets which were

unavailable to us while raw materials were scarce.

This greater freedom of materials creates an entirely new situation—a situation which gives your company the opportunity of contributing in peacetime, as it so noticeably did in wartime, to the implementation of the Government's declared policy. By this I mean that architects, county and local authorities, contractors, and all who use your company's products, realise that there is no limitation or restriction on their supply. Thus, in using Williams and Williams products they entirely preclude the expenditure of badly needed foreign currency and furthermore are actually earning it at a time when it is so urgently needed.

The report was adopted and the ordinary dividend of 25 per cent was approved.

Following the close of the annual general meeting, class meetings of the preference and ordinary shareholders respectively and an extraordinary general meeting were held. Resolutions giving effect to certain changes in the capital structure of the company, details of which had been previously circulated, were duly approved.

CONSOLIDATED TIN SMELTERS, LIMITED

DIVIDEND MAINTAINED

The twenty-fourth annual general meeting of Consolidated Tin Smelters, Limited, was held on September 10th in London, Mr Clifford Waite (chairman and joint managing director) presiding.

The following is an extract from his circulated review for the year ended March 31, 1953:

The net revenue of the parent company is £315,053, out of which your directors have made appropriations similar to those made last year—£50,000 to general reserve and £50,000 to write down the investment in subsidiary companies. They recommend a dividend of 2s. 6d. per £1 ordinary stock, the same rate as for the previous year.

The throughput of concentrates at our works showed a slight increase of 1.5 per cent when compared with last year, which, when all the relevant factors are considered, can, I think, be regarded as satisfactory.

PRODUCTION AND CONSUMPTION

World production of tin in concentrates as reported by the Statistical Bulletin of the International Tin Study Group has shown an increase in each of the last three calendar years. World consumption appears to have shown a steady decline, largely due to the figures disclosed for the consumption of the United States of America—the world's largest tin consumer.

The price of tin during the year under review was steadier but lower as compared with the year ended March 31, 1952. Since March 31, 1953, the price on both markets has continued to decline, the Singapore price falling to the equivalent of £620 17s. 6d. on July 8th, and the Settlement price on the London Metal Exchange to £612 10s. per ton on July 8th, the lowest price since July 4, 1950.

In Malaya the position has improved appreciably under the administration and

control of General Templer, but there is still much to be done in that country before it returns to normality and the inhabitants and business community can move freely about the country without fear of molestation. There is certainly no room for complacency.

CHAIRMAN'S SUPPLEMENTARY REMARKS

At the meeting the chairman referred to some comments regarding the accounts of the company made in *The Statist* in their issue of August 29th and said: In this article readers are led to believe that we take market risk on our stocks of tin and tin concentrates. In order to avoid any misapprehension in the minds of members of the company, I should like to make it clear that neither your company nor its operating subsidiaries takes a view of the tin market. It has always been our practice to purchase our tin concentrates on the basis of either the Singapore price or the London Metal Exchange price, whichever is applicable, on specified market days, and to sell the resultant tin on the same days. Thus it is our practice to "marry" our purchases of tin in concentrates with our sales of tin so that our market risk is negligible.

These remarks also apply to the tin concentrates having an approximate value of £4,800,000, to which reference is made in the accounts. This material either arrived at, or was in transit to, our works at March 31, 1953, but under the terms of our contracts with the producers of the tin concentrates the actual basis price for purchase was not due to be fixed until dates subsequent to March 31, 1953.

The report and accounts were adopted.

ACHIEVEMENT IN THE AIR

From Prototype to Production
Design for Speed

An Industry in Depth
New Conceptions in Air Strategy

From Prototype to Production

A SUBTLE change of attitude has been taking place in the British aircraft industry: something that a hostile critic might interpret as the first signs of complacency. The industry's exhibition at Farnborough this week gave evidence of this change in a number of small ways, not least in the flying display itself. With last year's tragic accident in mind, the Society of British Aircraft Constructors has put severe restrictions on the type of aerobatics that the test pilots might do in the aircraft that they demonstrated. Several of the exhibiting companies seem to have interpreted these restrictions as justification for a rather cursory display of their aircraft that amounted in more than one case to little more than a decorous fly-past and circuit of the airfield.

This type of display may be justified on the closing days of the exhibition when the public turns up hundreds of thousands strong, but it is not what the industry's civil and military guests have come—in some cases across half the world—to see. They are accustomed to look on the Farnborough show as the occasion on which they can see the latest British designs put through their paces and exhibited to the limit of their capacities. The experts who came from all parts of the world to watch demonstrations of this kind did so fully accepting the inevitable degree of risk that it involved for they—of all people—appreciated that new aircraft embody new principles of design that can only be proved—or disproved—by testing in flight. An audience of this calibre is entitled to expect more from the flying than trick demonstrations of supersonic bangs.

The industry's present attitude may in part be explained by the fact that the major research effort of the past six or seven years has in almost all cases been rewarded by production contracts. For the first time in years the exhibiting firms were not fighting for orders; they had signed contracts in their pockets to keep them comfortably employed for three years at least. The aircraft that were flown in the display this week showed, in miniature, the shape that the RAF will soon assume. The specifications for them were put up to the industry's designers shortly after the end of the war and a deliberate risk was taken to keep the RAF under-equipped until they became available. The strategic

role of these aircraft is described in a later article. The tally consists of three long-range atom bombers, the Vickers Valiant (the backbone of Bomber Command), the Avro Vulcan and the Handley Page Victor; and the medium-range Canberra bomber designed by English Electric and also built by Handley Page, Avro, and Short Brothers and Harland. Among the fighters are the Vickers-Armstrong Swift and Hawker Hunter day fighters—that is, fighters not equipped with radar and therefore suitable only for day interception—and the all-weather Gloster Javelin fighter. Fighters of the Javelin type, carrying radar and wholly independent of weather conditions, are likely to become increasingly important and the Javelin's competitor, the all-weather de Havilland 110, has been taken up by the Navy. The Navy has also sponsored the development of a special class of turbo-prop anti-submarine fighters, using this more economical type of engine for operations that require range to search over the sea and reserving pure jet fighters like the 110 and a fighter being developed by Vickers-Armstrongs, for high-altitude defence of the fleet. Fairey, Westland and Shorts are all building turbo-prop anti-submarine designs for the Navy.

Blackburn is building heavy freighters; several of the smaller companies are working on contracts for trainers; and Bristol, Vickers-Armstrongs and de Havilland also have substantial civil orders. The industry's total output is probably running this year at more than £200 million, about £130 of it for Government orders. Next year, Government contracts will probably increase to about £150 million and under the present defence programme will stay at that level for the next three years. Export orders and production for civil operators at home may rise to an annual figure of about £100 million, and some estimates would put the eventual figure as high as £150 million. The industry would appear to be facing a prosperous future, and this, combined with knowledge of the high reputation at present enjoyed by British aircraft and engine design, may explain why the once razor-sharp edge of the industry's salesmanship appeared to have been a little blunter at Farnborough this year.

Real competition in the aircraft industry is no longer between machines that are in the air today—those battles

CROWN ZELLERBACH CORPORATION

(Incorporated in the State of Nevada, United States of America.)

Manufacturers of pulp, paper and allied products, lumber, plywood and other forest products.

CONDENSED SUMMARY OF CONSOLIDATED RESULTS FOR THREE MONTHS ENDED JULY 31

	1953*	1952
Net Sales	\$70,281,778	\$59,107,967
Income before taxes on income	13,271,871	11,743,046
United States and Canadian taxes on income	7,101,000	6,563,000
Net income	6,106,000	5,148,564
Dividends declared	3,430,208	2,863,841
Earnings retained in the business	2,675,792	2,284,723
Additions and improvements to properties	3,056,045	2,735,868
Per share of common stock, based on average number of shares outstanding during period:		
Income before taxes on income	2.03	1.96
Net income	.90	.82½
Dividends paid	.45	.37½
Retained in the business	.45	.45
Production of paper and paper board—Tons	250,138	215,487

* (Figures for three months ended July 31, 1953, include results of operations of Canadian Western Lumber Company, Limited, and Elk Falls Company Limited for July, 1953, and of St. Helens Pulp and Paper Company for June and July, 1953.)

Copies of the quarterly report to July 31, 1953, may be obtained from the London Transfer Agents, The British Empire Trust Company, Limited, 52-60 Bishopsgate, E.C.2, on application.

Residents in the British Isles, whose shares are not registered in their own names, and other interested parties who wish their names placed on the mailing list for future communications, should notify the London Transfer Agents accordingly.

NOTICES

SCHOOL OF ECONOMICS, DUNDEE

Courses of study are offered for:
B.Sc. ECON. DEGREE OF LONDON UNIVERSITY.

A four-year course for an Honours Degree.
GENERAL CERTIFICATE OF EDUCATION ADVANCED LEVEL OF LONDON UNIVERSITY.

A one-year course in Economics, Economic History, Geography and British Constitution.
POST GRADUATE DIPLOMA IN BUSINESS ADMINISTRATION OF THE SCHOOL.

A one-year course for University Graduates.
Copies of the Calendar of the School can be obtained from the Secretary, 17 Bell Street, Dundee.

APPOINTMENT as General Manager or Controller, preferably overseas, is sought by a senior executive, aged 36. At present director and secretary to a group of companies in tropical Africa capitalised at £3 million with interests in mining, cement and hard-board manufacture, and marketing.

Advertiser has broad experience in the fields of accounting and financial control, production and distribution. Is interested only in serving a substantial organisation where efficiency in achieving maximum results with minimum costs is required. Interview U.K.—Box 317.

OPERATIONAL RESEARCH. COURTAULDS, LIMITED, has a vacancy for an Assistant in its Operational Research Department with a degree in applied mathematics, physics, chemistry or engineering and with an interest in investigational work.

A knowledge of statistics is desirable but basic mathematics for learning statistical methods and related techniques is essential.

Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds, Limited, 16, St. Martin's-le-Grand, London, E.C.1 quoting the reference number C.47.

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).

BARRISTER, thirties, 6 years in charge of Internal Legal Department of leading Trade Association. Well versed in the pros and cons of restrictive trade practices. Experienced administrator. Desires to move.—Box 330.

CANADIAN woman Economics graduate, experience in marketing research, budgeting, financial statements, report writing, pension plan administration, seeks post in business administration or operational research unit.—Box 326.

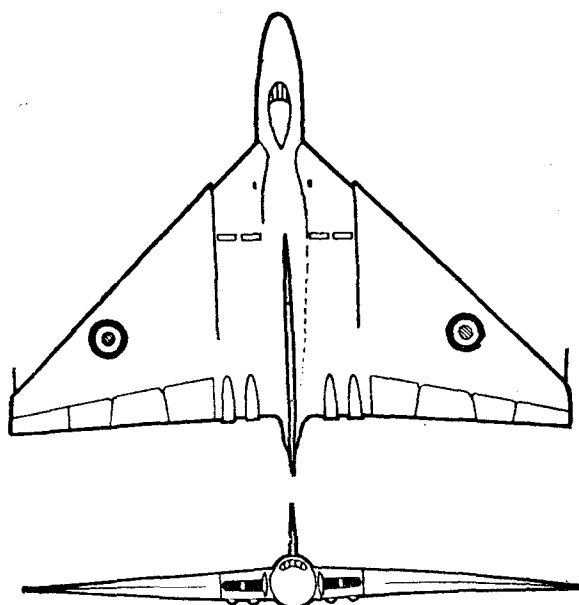
CREDIT MANAGER wanted, experienced in granting credit and collecting from medium-size retail businesses in rural communities. London headquarters; some travelling in U.K. Give age, salary and experience.—Box 325.

PRIMAVERA of Sloane Street require lady with managerial experience to take charge of their showroom. Selling experience essential. Telephone SLO 5779 for appointment.

ENGLISH SALES EXECUTIVE seeks senior appointment with progressive American company. Considerable previous experience in U.S. companies and markets. Languages.—Box 319.

MARKET AND MEDIA RESEARCH ASSISTANT wanted for research department of important advertising agency. Previous experience an advantage but not essential.—Write Box 331.

have been fought and won—but between those that are barely on the drawing boards. With the major exception of the de Havilland Comet, the Ministry of Supply has carried the entire burden of the aircraft industry's development charges since the war. In the lean post-war years, when there were hardly any production orders, development contracts were handed out generously as a means of keeping the industry alive. Such public money may not be so freely available in future. Defence votes as a whole seem likely candidates for economy and claimants for a share in the Research and Defence vote are continually growing. The service staffs will have to limit their choice of projects to go forward for development.



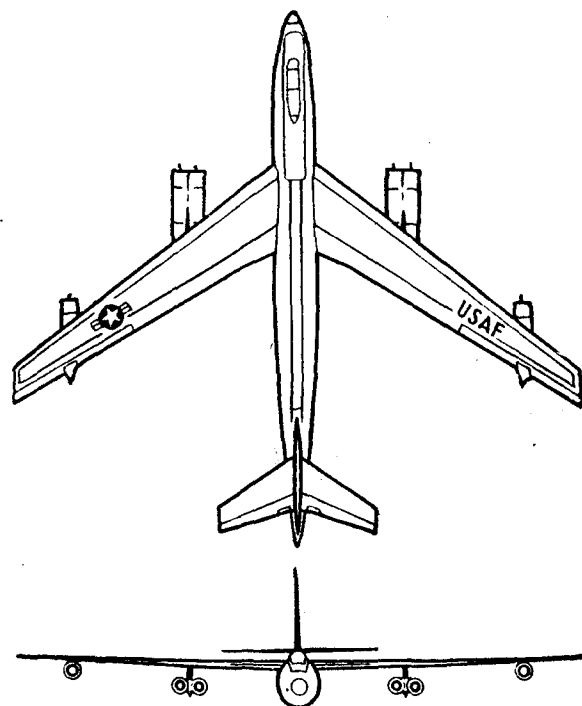
British and American aircraft design shows great contrasts in wing shapes and outlines. These are strikingly illustrated by the delta winged Vulcan bomber, with a deep, thick wing that buries four engines and even the fuselage and . . .

As money becomes scarcer, future development contracts with the aircraft industry will be more carefully scrutinised. A specific problem under discussion at the moment may illustrate what is likely to happen. The industry has put forward four competing designs of jet airliner to follow the Comet III: the de Havilland Comet IV, and civil versions of the Vickers Valiant bomber, of the Avro Vulcan bomber, and of the Handley-Page Victor bomber. Each company wants the Ministry to finance the development of these airliners; each design has certain clear merits that would justify such support. But the Ministry will have to choose now between the four projects, and before there are sufficient data to show which of them is the most promising. In the military field, shortage of funds for development will sharpen the competition between alternative designs put up for the same specification—in former days all would have been supported; and certain types of aircraft will not be developed at all. Can Britain continue to spend freely on helicopters to develop them into an economic means of transport? Will the development of a light-weight fighter be sacrificed in the interests of economy?

To choose between competing designs and projects before the ideas that they embody can be put to the first practical test could have serious consequences for technical progress

in the aircraft industry—unless its members can find a formula for assuming at least some part of the cost of aircraft development. Since about three-quarters of the industry's orders seem likely to come from Government departments, and since the services are often capricious in their requirements, public funds will probably have to continue to carry a significant proportion of the burden of development, for it involves commercial risks that no private management could undertake. But the industry has now reached a stage of comparative stability at which it should be financially capable of contributing something towards the cost of development. It would be an act of sound political wisdom to do so. A recent example of this sort is provided by the Gyron engine of de Havilland. The company's engineers designed an engine for which no service specification existed at the time, and the company financed its construction up to a point where an engine had been built and was running on a test bed. The theory behind the design having been partially proved, it was then assisted by a development contract by the Ministry of Supply. Now that most companies have substantial production orders, it is not unreasonable to expect that they should either finance some of the cost of preliminary development or enter into partnership with the Ministry.

The aircraft industry is building up a substantial export business in civil and military aircraft; when deliveries get

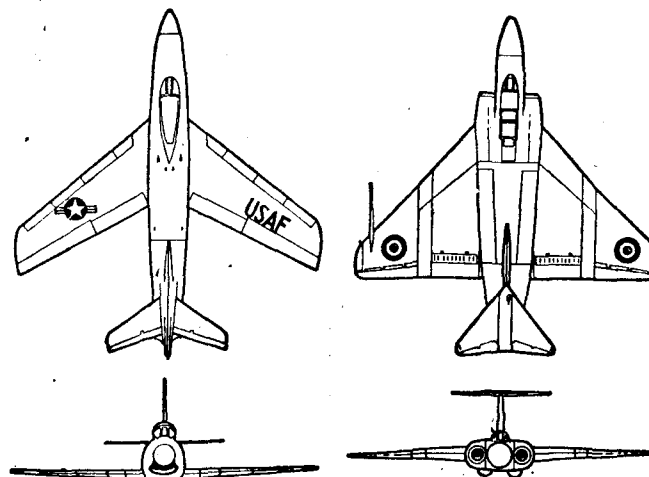


. . . compares strangely with the American B47 bomber's exceptionally thin, narrow wings with the engines slung in pods beneath them.

under way during the next few years a third to a half of its revenue will come from sources other than the Government. Such an increase in sales, coupled with any development charges that the industry assumes will call for further increases in working capital. But there is among investors and in the City of London a new assessment of the outlook for the industry. And certainly an industry that lives by technical advance is not likely to show itself less enterprising financially.

An Industry in Depth

A "MASTER INDEX" at the Ministry of Supply lists about 18,000 items that may go into building a modern aircraft, and remarkably few of them can go into anything else. The aircraft manufacturers buy large quantities of basic materials, particularly light alloys and other metals, but much even of these will be to individual specifications that few other customers want. Again, there are some things used commonly elsewhere, such as upholstery, among the manufactured goods that the industry "buys out"; but the vast majority of its purchases are designed specially to suit its conflicting requirements of exceptional strength and lightness.



The same differences can be traced among the fighters—in the American Sabre, for example, with its thin narrow wing and sausage-shaped fuselage, and the delta planform of the Gloster Javelin.

Such estimates as can be made of the total amount the industry buys out are so approximate as to be nearly useless. The industry itself is too difficult to delimit and measure. To the pure airframe constructor such as Handley Page or A. V. Roe, even an aero-engine is something that it buys out or receives free from the Ministry on "embodiment loan"; but Rolls-Royce or Napier would hardly relish any suggestion that the makers of engines are outside the aircraft industry. The 1948 Census of Production valued the materials and parts purchased or received free from the Ministry at some £45 million out of a total output of £114 million of aircraft and accessories or just over 40 per cent (compared with 50 per cent bought out in shipbuilding and more than 60 per cent in the motor industry). That very broad figure may have some validity, but both the Ministry and the SBAC suspect that the more detailed figure given in the census for purchases of manufactured components and parts, which even with free issues would amount to only 20-25 per cent of the industry's output (compared with 40-45 per cent in the motor industry) is misleadingly low.

The industry's net "added value" probably is high. It seems, for example, to bear unusually large salary costs, perhaps inherent in its big design staffs and its degree of

research and development. Moreover, the trend appears to be for the proportion of work done by the airframe builder, in fabrication, construction and installation, to increase. There are about the same number of forgings on a Swift as there were on a Spitfire; but they weigh about six times as much and need about five times the machining. But even the proportions suggested above would mean that the aircraft and aero-engine manufacturers may now be spending more than £100 million on their purchases.

A more effective measure, however, can perhaps be given by valuing what goes into an aircraft or where the money spent on the air programme goes; though the complications here, too, are so considerable as to make some experts aver that "it is impossible to cost an aircraft realistically." The accompanying table breaks down the total cost of three aircraft—a wartime Lancaster, the Meteor fighter (now a veteran and very cheap to build), and the Canberra bomber—into broad categories of materials, bought-out parts, and "embodiment loan" items bought direct by the Ministry and supplied to the airframe constructor for

ANALYSIS OF COSTS OF MILITARY AIRCRAFT

	Lancaster (1943)	Meteor F.8	Canberra B.2
Percentage of total cost			
<i>Purchases by contractor:—</i>	%	%	%
Materials:—			
Steel	0.77	0.87	0.09
Light alloys	9.88	6.62	2.31
Other materials	1.58	0.41	0.60
Total materials	12.23	8.5	3.0
Proprietary parts (under-carriages, hydraulics, self-sealing tanks, etc.)	13.94	9.8	4.3
<i>Embodiment Loan Items:—</i>			
Bought by Ministry and supplied to airframe contractor:—			
Aero-engines	30.80	27.0	30.0
Other items	19.08	16.7	24.0
Total embodiment loan items	49.88	43.7	54.0
Construction and assembly by contractor and sub-contractor	24.0	38.6	38.7
	100.0	100.0	100.0

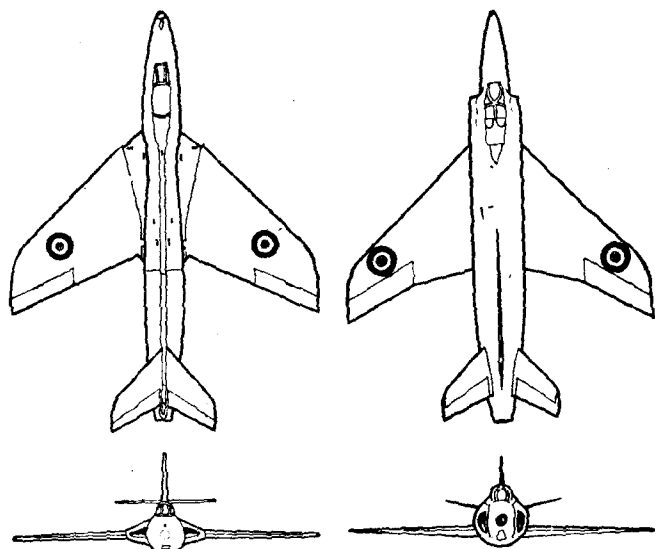
installation, including aero-engines, propellers, instruments and navigational equipment, cameras, armament, radio and radar. The maker's "proprietary purchases" on sub-contract are likely to include under-carriages, power-assisted controls, hydraulic and pressurising equipment, electrical equipment, and the mass of wiring that goes into an aircraft. In the same way that the table analyses costs for aircraft, the total cost of a Derwent jet engine

(which is fairly typical) is made up of 23 per cent for raw materials, 26 per cent for bought out supplies, of which the fuel system accounts for nearly two-thirds and the sheet metal combustion equipment, "canware," for most of the remainder, and 51 per cent for the work of the main contractor; practically nothing is supplied on embodiment loan.

Total expenditure on military aircraft, moreover, gives an indication of the contribution of different industries to the air programme:

	Per cent
Airframes:—	
New production	32.6
Modification and conversion	2.5
Spares and repairs	11.7
Engines:—	
New production	16.8
Modification and conversion	1.5
Spares	5.8
Propellers and gun turrets	2.0
Equipment:—	
Electrical and instruments	6.7
Miscellaneous	3.9
Electronics, radar, radio, etc.	16.5
	100.0

The extent to which the industry's main suppliers, in their turn, depend upon aircraft business varies enormously. The industry is a major customer for some makers of special steels and high-temperature alloys, such as Henry Wiggin; a large consumer of aluminium, though one among many; the largest user of magnesium and its alloys; and perhaps the only early customer for titanium, when that comes along. High Duty Alloys, perhaps the most important supplier of light alloy forgings, owned by the Hawker

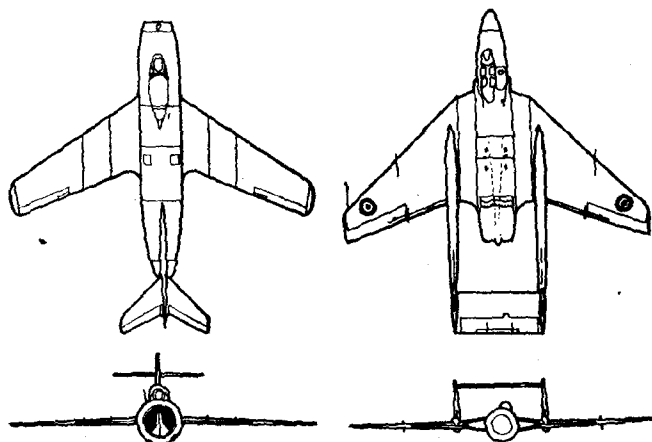


The British Hunter (left) and the Swift both have wings that are noticeably deep in relation to their span, with engine air intakes placed in the wing roots.

Siddeley aircraft group, still finds possibly a quarter of its work outside the industry, and James Booth, another important supplier, has much larger interests outside aircraft.

Undercarriages are more specialised, though the makers usually do other work for aircraft. Some airframe constructors build their own, perhaps with assistance from a design team such as British Messier; Rotol and Dowty Equipment at Cheltenham are both almost wholly engaged

on this work and other parts such as fuel equipment for aero-engines. Wheels, brakes, and tyres engage some specialists such as Palmer Tyres, a large part of Lockheed's attention, and a very much smaller proportion of Dunlop's. Power controls generally come from electrical equipment specialists, though some major aircraft companies such as Fairey and Boulton Paul make their own and sell within



The Russian MIG, on the left, favours the narrow wing and nose air intake while the de Havilland 110 is another example of the deep, thick typically British wing.

the industry; in the same way Normalair, a subsidiary of Westland, is well known for pressurising equipment.

Most of the big motor accessory producers, such as Lucas, Rotax, and the Smith group, have large special divisions for aircraft accessories, while for such instrument makers as Sperry Gyroscope, Kelvin and Hughes, and Sangamo Weston, aircraft may constitute their largest customer. It is a less important customer for electrical equipment, while even during rearmament the demand for radio and radar equipment amounts to only about £20 million (in 1952-53) out of the electronics industry's turnover of perhaps £150 million a year but its demand is concentrated to some extent upon particular companies.

Outside the supply of proprietary components, perhaps 15 per cent of aircraft expenditure goes upon sub-contracting. Much is spent within the industry, which shares very large contracts and has some specialist sub-contractors such as Folland Aircraft and Heston; but major "outsiders" such as Standard Motor and Pressed Steel have been brought in on engines and airframe sub-assemblies. Extra capacity had to be created in some cases for components and parts, and the Ministry had to give "capital assistance" for much of this; the aircraft industry, with its sickening ups and downs, has never been a customer that most suppliers would consider worth risky investment. Capital assistance has perhaps been given generally in the creation of capacity for forging compressor blades in various ways; this consequence of the switch from centrifugal compressors to axial-flow compressors is almost a small new industry in itself.

Should rearmament taper off, or if the pattern of defence demand shifts from aircraft to other aerial weapons, some of this specialised capacity will become idle and the Government will have to decide whether, and if so how, to keep it ticking over. This is a familiar problem in the aircraft industry, but probably not a large one, for the materials and component suppliers.



Radar for the Jet Age

The rapid and safe landing of the modern fighter demands a radar of the highest quality—accurate, reliable and speedy in operation. Decca Airfield Control Radar 424 fulfils the most exacting requirements at an exceptionally low cost. Achieving a landing rate previously impossible, it adds vital minutes to operational sorties.

DECCA AIRFIELD CONTROL RADAR

DECCA RADAR LIMITED, 1-3 Brixton Road, London, S.W.9, England

The outstanding progress of British jet engines

IMAGINE a Comet airliner taking off from London one Monday morning early in September on a route that encircled the globe, a matter of 25,000 miles, occupying (with halts) under four days. Having returned to London, it sets off again on the same schedule.

Imagine this routine being maintained all through September and half of October until the Comet had flown ten times round the world, a total distance of 250,000 miles, as far as from here to the moon.

When the Comet came in to London Airport after the tenth circuit only then would its de Havilland Ghost jet engines be due for overhaul and, after being removed from the aircraft, they would be sent to The de Havilland Engine Company at Watford, where, at the present time, many Ghosts are being overhauled every week for airline service.

During the ten laps of the world the Ghost engines would need nothing more than the routine inspections of external parts and flame tubes, for which purposes the engines might be changed, but only for the sake of convenience, to avoid delaying the aircraft.

There is no other jet engine in the world which is being subjected to the rigours of airline operation. Military activity does not call for anything like the same prolonged and arduous service. The Ghost engine, which made the Comet possible, is now giving 600 hours (a quarter-million miles) of duty between overhauls, with extension trials to 750 hours already under way.

Ghosts are flying 600,000 engine-miles a week in airline service, and up to August 31 they have flown 32,000,000 engine-miles since the Comet went into service on May 2, 1952.

The new de Havilland Gyron jet engine, incomparably more powerful than the Ghost, in fact almost certainly the most powerful jet engine in the world to-day by far, has been designed out of the knowledge gained from all this experience. It is intended, in its initial form, for supersonic fighters, but is capable of development for other roles. It is essentially a light, simple, economical jet of enormous output, and like all de Havilland engines it is built for durability.

THE GHOST—THE JET ENGINE THAT MADE THE COMET POSSIBLE

DE HAVILLAND
ENGINES

Design for Speed

THE drawings that have been used to illustrate this survey show a number of aircraft that are in service or going into production in this country, the United States and France. The startling differences in the shapes seen in the sky are apparent to the most untutored eye. Some aircraft have wings that are thin and straight; some wings are thin and swept; a third group are delta or near-delta shaped; and yet a fourth type of wing, half-swept, half-straight, is fancied by more than one eminent designer. Some aircraft have massive tails, and others none at all. The one feature common to all these aircraft is that they are designed for very high speeds, at or just below the speed of sound, where flying conditions are peculiarly difficult. Each conformation is a different solution put forward by a different designer to meet these conditions.

This variety is confusing for the layman. It will help him first to understand that there are no absolute measurements in aircraft design, only relationships between one dimension and another. Even the speed of sound is relative, starting at 760 mph at sea level and getting lower as altitude rises. The existence of so many variable relationships, between weight and wing area, or between the span, the width and the thickness of the wing, allows the possibility that a number of different yet right solutions may exist for the same problem of high speed design.

Up to a point, the pre-occupation of designers is to get enough brute force to push an airframe through the air. The faster the aircraft, the greater the air resistance that it meets; and as the aircraft begins to approach the speed of sound, this drag rises steeply. Translated into terms of aircraft requirements, the amount of extra engine power needed to push an aircraft a few miles per hour faster is far greater in this trans-sonic region when it is flying just below or just above the speed of sound than it is when the aircraft is flying at sub-sonic or super-sonic speeds. The reason is this: before the aircraft reaches the speed of sound, some of the air flowing over its wings is already travelling at sonic speed; the small pressure waves caused by the passage of an aircraft through the air pile up on each other at the points where the flow of air has reached the speed of sound, and it takes a great increase in engine power to push through the jumble. This "compressibility" causes other difficulties, apart from extra drag. It affects both the steadiness of the aircraft, and so its value as a gun platform or a bombing station, and its controllability, which hazards the aircraft and its crew. This is what the "sound barrier" has turned out to be—a region extending just below and above the speed of sound in which

the aircraft meets, in relation to its speed, the maximum possible resistance from the air, and where flying conditions can be unpleasant and dangerous but not impossible.

A designer will do whatever he can to extend the point at which the air-flow becomes super-sonic and causes compressibility troubles. The greater the angle at which its wing is swept back, the faster an aircraft can fly before these effects start to occur. All designers would appear to agree on this point; but they differ on what a swept wing should look like. There is, indeed, more to high speed design than overcoming drag, and there is more than one source of drag. According to theory—which can let designers down with depressing frequency—a "high aspect ratio" wing in which the width, measured from front to back, is small in relation to its span, keeps part of the drag down. This means better range for bombers, longer endurance for fighters, and good altitude performance.

The classic example of this sort of wing in its sharply swept form is the Boeing B47 bomber, although to a lesser degree the Russian MIG, the American Sabre and the French Mystère all show traces of this thinking.

This principle of design has found less favour in this country. The narrow swept wing is difficult to build. To make it strong enough all along its immense span to withstand the stresses of flight at high speeds requires a degree of structural stiffening that threatens to make it extremely heavy. It cannot be used to house engines because it is sharply swept and is too thin. A single engine can go in the fuselage, but if there is more than one they have got to be slung

beneath in pods, a system that has not commended itself to British designers. Should one of the outboard engines fail, a sharp variation in the amount of engine thrust along the two wings affects the control and handling of the aircraft; this risk is less when the engines are housed close to the fuselage.

The narrow swept wing also has disadvantages in flight. It cannot be rigid, for it would then be so strong and thick that drag might be increased, not reduced, and its weight would be increased. This means that the thin swept wing has to deflect—or in a word, to flap—under pressure in flight. Such flexibility leads to troubles when the controls are applied, because the wing tends to twist at the tip and cancel out the movement of the controls. A new wing designed by Short Brothers and Harland has minimised this tendency to twist and combined it with a positive method of control, but this form of movable wing tip is in the early stages of experiment.

Other designers have put forward a different wing shape

VOCABULARY OF SPEED

Speed of Sound = 760 miles an hour at sea level, falling roughly $2\frac{1}{2}$ miles per hour with every 1,000 feet of altitude.

Mach number = $\frac{\text{Speed of aircraft}}{\text{Speed of sound}}$

Mach 0.9 = Aircraft flying below speed of sound.

Mach 1 = Aircraft flying at the speed of sound.

Mach 1.1 = Aircraft flying above the speed of sound.

Sub-sonic = Less than
Sonic = At
Super-sonic = More than } Speed of sound.

Trans-sonic = A speed range that the aircraft enters when some of the air flowing over its wings reaches sonic speed and leaves when the whole of the air-flow over its surface has reached super-sonic speed, i.e., the range of speed between Mach 0.9 to Mach 1.8

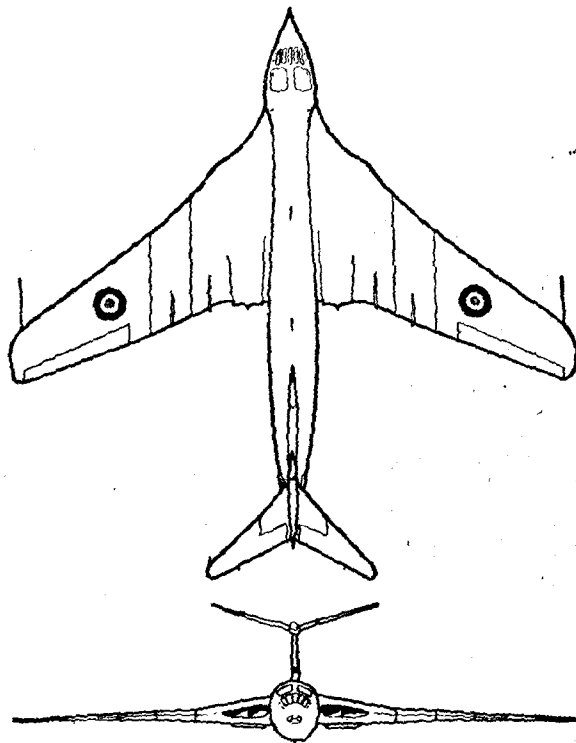
High aspect ratio = A long narrow wing of large span in relation to its depth from back to front.

Low aspect ratio = A short thick wing of small span in relation to the depth.

which, in their view, has compensatory advantages to set off against several of the points that it loses to the narrow swept wing. This design is the swept wing of "low aspect ratio"—in lay terms, a wing of which the width is quite large in relation to its span. Its ultimate form is the delta wing, but the principle of low or moderate aspect ratio can be seen in one form or another in most of the drawings of British aircraft. While the delta or near-delta wing has a higher drag than the long, narrow wing, it has a better lifting ability and in flight the two types end up about equal. Streamlining, too, is as important in reducing drag as sweeping back the wing shape. A streamlined wing can be as thick as the designer chooses, provided that the thickness is small in relation to its width from front to back. Here is another example of the way in which relative and not absolute measurements dominate aerodynamics. The delta wing of the Vulcan bomber and the Javelin fighter, the novel form of the de Havilland 110, where the tail is carried on twin booms to avoid the added weight of a long fuselage, and even the Swift and Hunter swept-wing fighters show wings that look thick in comparison with some of the other designs. But they are so deep that the rise from the tapered edge of the wing to its thickest point does not unduly disturb the air flow over the wings.

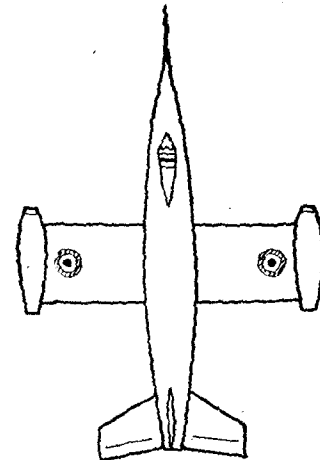
Large quantities of fuel can be stored in these thick, low aspect ratio wings, and the engines housed there too, if necessary, without disturbing their streamlining. This, in turn, has a bearing on the size and weight of the fuselage. A designer who is prepared to put more fuel in the wing, and place the air intakes in the wing root, may put up the drag from his wing but he reduces the drag from his fuselage and he has a structurally stiffer wing. His choice will be decided by what he wants the aircraft to do.

To sum up at this stage, a wing that departs from the thin swept outline of high aspect ratio can be made



The Handley Page Victor bomber strikes a balance between the excessively narrow and the excessively deep wing by using a "cranked" wing with three angles of sweep.

structurally much stronger, but at the expense of putting up the drag. At least two British designers have looked for a compromise between the two extreme types of thick and thin swept wing. Both the Valiant and the Victor bomber have wings that have a "high aspect



The French Trident rocket fighter, designed for true supersonic speeds, has reverted to the thin, straight wing.

ratio"—that is, relatively big span and narrow width, but the angle at which the tips of their wings are swept back is much smaller than it is at the root. This curious cranked wing enables the designers to make the root of the wing thick enough to bury the engines, and the tip thin enough to be only partially swept. The object in both designs is to avoid drag at the tips of the wings. The cranked wing avoids the structural difficulties of the thin swept wing, and ensures that the aircraft will handle well at low speeds—a point of behaviour that will decide the length of runway that it will need and thus its serviceability in military use. The controls on an aircraft's wing work most effectively at low speeds when they are at right-angles to the fuselage, and on this point both the delta and the straight wing or nearly straight tip score heavily over the swept wing. When this is combined, as it is in many British aircraft, with a tendency for the area of the wing to be large in relation to the weight of the aircraft, low-speed characteristics and manoeuvrability generally tend to be better than those of a thin swept wing. These may be advantages worth some sacrifice in terms of absolute performance.

None of the philosophies of high speed design described here are conclusively proved; their only proof is to build them into aircraft and test them in flight. A successful design may owe as much to intuition as it does to reasoned logic, and cherished theories are regularly being confounded. Structural strength in airframes is becoming a more dominant consideration as trans-sonic stresses are becoming better understood; and the specialist in aerodynamics sometimes has to take orders from the structural engineer. Tails and wing-tips appear especially vulnerable under trans-sonic conditions, and the thin, tapering, nearly pointed wing tip is becoming a thing of the past. The massive tails appearing on some aircraft are sometimes a token of the structural stiffening that has been required to keep them on at all.

Incidental difficulties not directly associated with trans-sonic flying seem to become more acute at these speeds. Flutter, a phenomenon where an area of resonance builds up on a small patch of surface and sets up such vibration that the structure can be destroyed, is troubling more than one British design. And what form design will take when



CORONATION REVIEW of the ROYAL AIR FORCE by HER MAJESTY THE QUEEN

*More than seventy per cent
of the Jet Aircraft in the fly-past
were powered by*

ROLLS-ROYCE
Aero
ENGINES

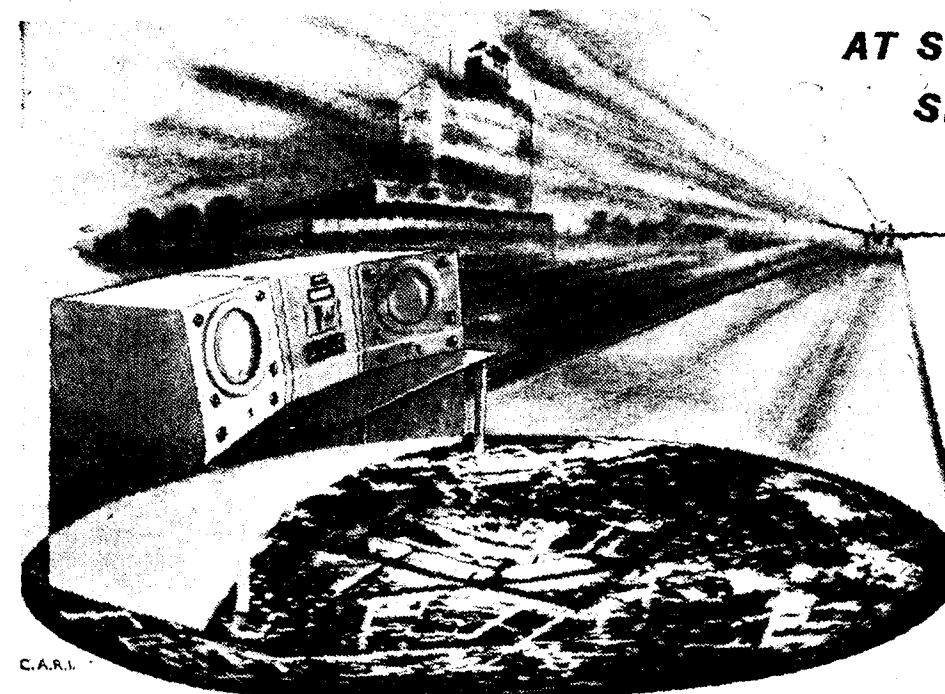
ROLLS-ROYCE LIMITED, DERBY.

AT STAND 44

S.B.A.C. DISPLAY

FARNBOROUGH

Sept. 7th-10th (private days)
Sept. 11th-13th (public days)



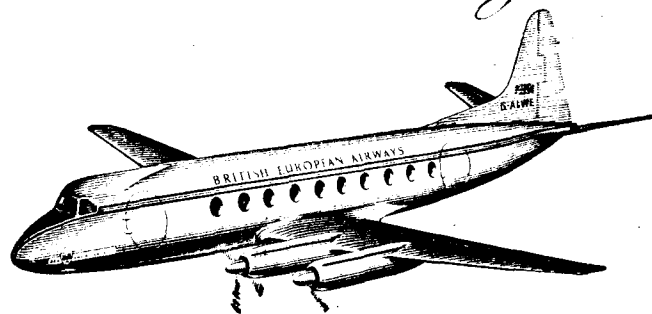
PPI photograph
of London Air-
port taken on
Cossor Airfield
Radar

- **COSSOR AIRFIELD RADAR**
Provides airfields with a comprehensive and accurate radar at low cost. Combines full circuit control, "approach-to-runway" and ground movement supervision.
- **MARK III GEE**
A lightweight, miniaturised airborne receiver, latest version of GEE Airborne Equipment.
- **TEST EQUIPMENT**
A display arranged by the Cossor Instrument Division of test equipment for use in industrial research.

COSSOR RADAR LIMITED

COSSOR RADAR LIMITED AVIATION DIVISION, COSSOR HOUSE, Highbury Grove, London, N.5
Telephone: CAnonbury 1234 (13 lines)

1953

is "Viscount" Year

FAR-SIGHTED airline executives realised years ago what the Viscount would do: gain a clear lead for Britain, tempt passengers away from old travelling habits, win profits where none existed before. But only this year have the general public and civil aviation as a whole discovered the truth. The Viscount is flying regularly—and most profitably—for BEA*, is just going into service on Air France routes, and is in production for six other airlines in both hemispheres. Many more orders are pending. 1953 is indeed Viscount Year.

VICKERS VISCOUNT—*already chosen for*

BRITISH EUROPEAN AIRWAYS
AIR FRANCE
AER LINGUS
TRANS-CANADA AIR LINES
TRANS-AUSTRALIA AIRLINES
BRITISH WEST INDIAN AIRWAYS
HUNTING AIR TRANSPORT LTD.
IRAQI AIRWAYS

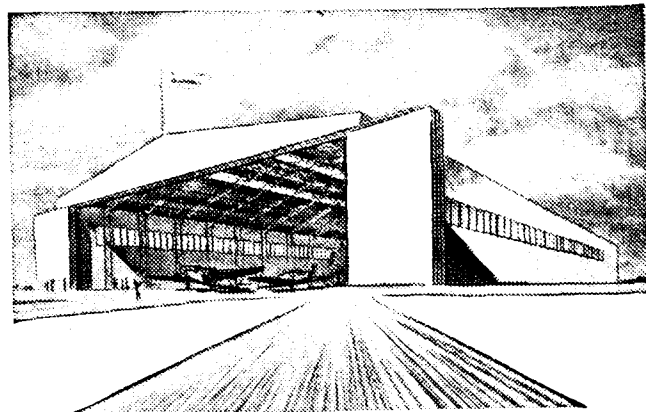
***IMMEDIATE PROFITS**

British European Airways announced in August that during the first 2,000 hours of scheduled commercial service their Viscount aircraft earned a revenue totalling £480,000, with a clear profit of nearly £70,000. This represents a profit of some £34 per flying hour and means that the Viscount is flying at the lowest cost per ton-mile of any passenger aircraft in the BEA fleet.

Powered by ROLLS-ROYCE Engines

The combination of Rolls-Royce engines (Four Dart propeller-turbines) with an aircraft designed to make the best use of them is one reason for the Viscount's success. The policy is pursued throughout Vickers jet aircraft: the Swift with a Rolls-Royce Avon, the Valiant with four Avons, the Nene-equipped Attacker and the V.1000 jet transport with four Rolls-Royce Conways.

VICKERS-ARMSTRONGS LIMITED · AIRCRAFT DIVISION
 WEYBRIDGE · SURREY



GENERAL UTILITY
STEEL BUILDINGS
 AND HANGARS

200 ft., 120 ft., 100 ft. and 80 ft. clear widths.

Any length and height.

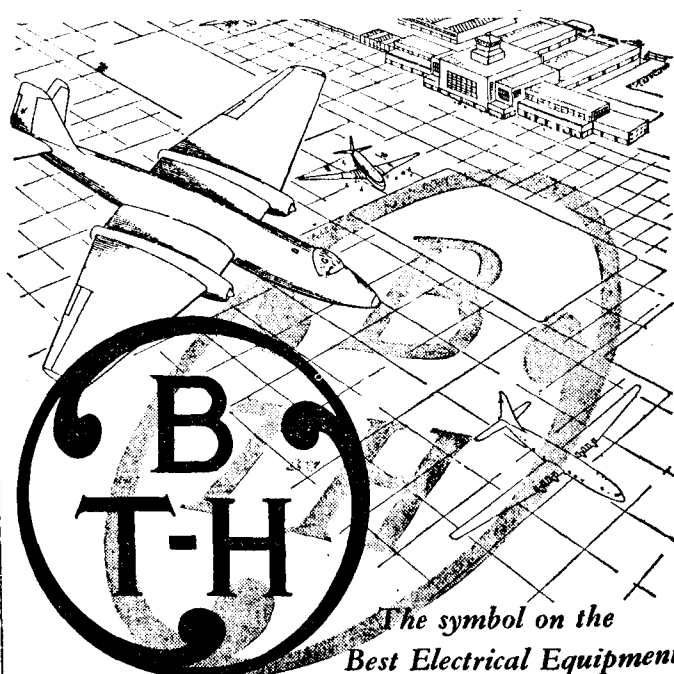
All inside space usable and free from obstruction.

We erect.

WRITE OR PHONE:-

BELLMAN HANGARS
LIMITED

TERMINAL HOUSE, LONDON, S.W.1 SLOane 5259



Aircraft designers and operators know that BTH reliability—important on land, but vitally significant in the air—is traditional. BTH design and develop the complete electric power system, and supply the equipment appropriate to the application. But this is only one direction in which the specialisation and long

experience of BTH have built up an enviable reputation. It is the same in marine engineering, traction, power supply, mining—wherever first-class electrical products are needed. With over fifty-four years' experience and eleven factories, BTH can give outstanding service to industry in every sphere of electrical engineering.

THE
BRITISH THOMSON-HOUSTON

COMPANY LIMITED, RUGBY, ENGLAND

Member of the AEI group of companies
 Visit our Stand No. 101 SBAC Flying Display Exhibition

Engines have enough power to push the aircraft well above the speed of sound into the region of true supersonic flight is a matter for conjecture. Designers do not yet know how to make an aircraft fly reliably at the speed of sound, let alone above it. Theory suggests that sweep back is no longer essential when all the air is flowing over the aircraft at supersonic speeds, about twice the speed of sound because there is no longer any appreciable saving in the drag. A straight, exceedingly thin wing would, it is believed, give the least drag under supersonic conditions. The French rocket-powered Trident is an example of this thinking, but unless designers can be certain that their aircraft will not spend any longer in the trans-sonic

New Conceptions in Air Strategy

BY A CORRESPONDENT

IN this age of jet-aircraft and atomic weapons, air power has become the predominant factor in Britain's strategic calculations. This is true not only because Britain could be crippled, if not defeated, by air attack alone, but also because neither sea-power nor land-power can provide the means of effectively restraining or striking at the only enemy it has to fear. The first objective of British strategy is to prevent war, or at least to prevent local conflicts developing into a world war. The second objective—in point of time if not of importance—is to defend this country in the event of war. The third is to ensure that Britain and its friends shall emerge from any war victorious or at any rate undefeated. In each of these tasks air power is of supreme significance.

The great threat to Britain's security comes today from the Soviet Union and superior air strength seems to be the only means by which Britain and its allies can deter the Russians from going to war, or can defeat them if they do. Indeed, one school of opinion points out that the United States and Britain each possess the air power to strike at Soviet territory with atom-bombs in very considerable strength, and it holds that the deterrent value of this power has already been proved. Tito's defection, the breaking of the Berlin blockade and the intervention of the United Nations in Korea were such grave diplomatic defeats for the Soviet Union that Stalin would hardly have accepted them if he had not stood in awe of American atomic weapons and of the power of the United States to deliver them.

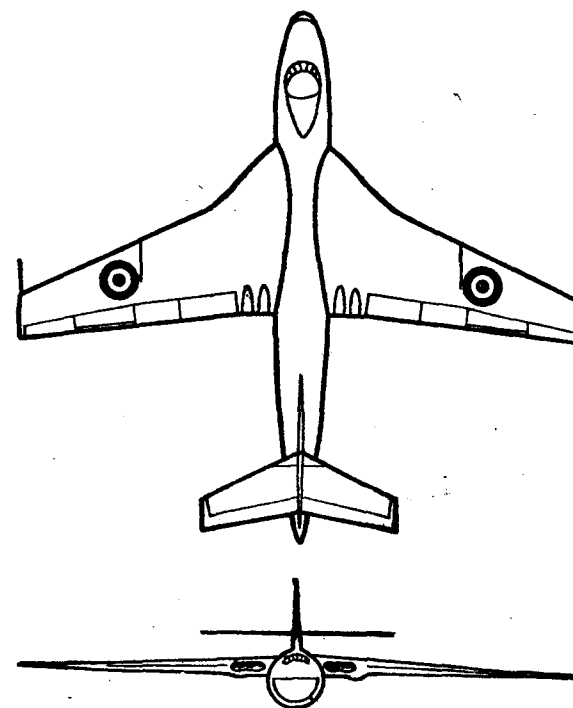
The maintenance of this deterrent has a direct bearing on the problem of defending the British Isles against air attack, for it makes war less likely and also reduces the offensive capacity of the Soviet Air Force. Clearly the greater the Russian fear of strategic bombardment, the greater will be the need for the Soviet Union to give priority to defence in research, in production and in the line of battle. The best safeguard against Soviet air attack is surely to compel the Russians to concentrate on fighters rather than bombers and there is evidence that during the past six years they have been doing this.

The fear of atomic attack leads to a further curtailment of the Russians' offensive capacity in the air, since it compels them to disperse their fighters defensively to guard their widespread industrial and natural resources. Fighters deployed to protect the Caucasian oilfields cannot

region than it takes to push through it and will never have to manoeuvre in it, they must take into account trans-sonic flying conditions, where the characteristics of the straight wing are at their worst. Yet by the time this stage is reached, aircraft may be landing and taking off vertically, without any runways at all, as has already been done experimentally. Wing design, as known today, is limited by the need to lift the aircraft off the ground at a near-horizontal angle. In this delicate compromise between imponderables and unknowns, the measured opinion of the designer of one of the most advanced British aircraft on aircraft design is worth remembering: it is, he says, always about 30 per cent pure guess-work.

be used to support the Red Army in Central Europe, and it is now known that, since Greece and Turkey became members of Nato and thus provided the Western Powers with bases on the Soviet southern flank, the air defences of the Ukraine and the Caucasus have been strongly reinforced, in part at least by withdrawing jet-fighters from Eastern Germany.

Finally, if war were to come, attack may be the best defence in air strategy. Even the most efficient defensive



A modified form of "cranked" wing is used in the Vickers Valiant bomber, deep at the root and narrow at the tip.

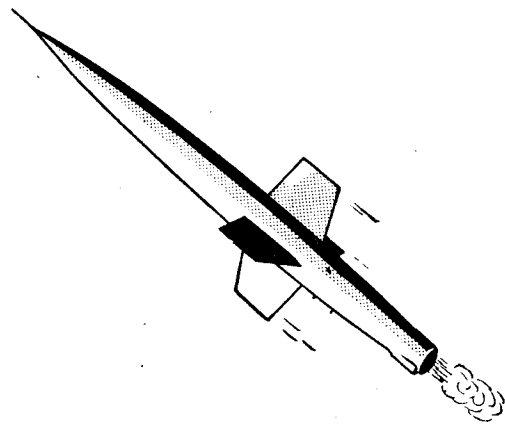
system cannot guarantee 100 per cent security against the jet-bomber—probably 60 per cent interception would be a fair average—and there is no known defensive answer to the long-range rocket of the V.2 type. So long as piloted aircraft are employed in attack, there will always be the danger that the fighters will be saturated, and the counter-bombardment of hostile airfields may be the best means

of reducing the scale of attack to manageable proportions. And if rockets are used, it is likely that, until the scientists have developed an anti-rocket rocket, the only method of relieving the onslaught will be to strike at the lines of communication by which the missiles must be brought from factory to launching site.

It may be generally accepted, therefore, that the makers of British defence policy must place increasing emphasis on long-range strategic bombardment, whether by piloted aircraft or by guided missiles, both as a direct deterrent and as an indirect defence. It is not universally agreed, however, that Britain should have its own strategic air force. It is sometimes argued that the various Nato countries should concentrate on the production of those types of aircraft for which they are best suited, and that, since the United States is already producing long-range bombers in large numbers, the entire responsibility for strategic air-attack should be left to the USAF. This view has been rejected by the British Air Staff, which contends that the RAF cannot play its proper role unless it can attack as well as defend, and that Britain, by virtue of its experience in design and operations, can make a valuable contribution in its own right to Nato's strategic air arm. No single country is likely to preserve for all time a continued pre-eminence in one type of aircraft. The most successful alliance of Anglo-American resources must bring together British science and invention and American technology and production in all forms of air power.

Moreover, a great power—and especially one as vulnerable as Britain—cannot afford to rely on an ally, however loyal, to provide the offensive element in her air defence. If Britain were to do so, it would be taking a grave military risk; there would be no guarantee that in a crisis the US Strategic Air Command could give priority, or even adequate attention, to its needs. It would also weaken Britain's political authority, for if it were entirely dependent on the United States in this vital arm, its influence in Nato policy would be seriously impaired. This does not mean that Britain must maintain a strategic air force as large as that of the United States. Fifty V-class bombers, capable of carrying atom bombs, would be a more formidable force than the entire strength of RAF Bomber Command in 1945. Such a force would be costly to build up and to maintain; but the question is whether the same expenditure elsewhere would bring a comparable gain in Britain's political influence or military security.

In the purely defensive aspects of British air strategy, the greatest need is to maintain the depth provided by the bridgehead that Nato now holds in Europe. With the development of jet-aircraft, depth has become a matter of ever-increasing importance, since the range of radar cannot be extended to match the increased speed of modern aircraft; and depth is the only defence against rockets. With its outer radar screen on the Rhine, RAF Fighter Command today would receive warning of attack little earlier than it did during the Battle of Britain when it depended on the coastal chain of radar stations and when aircraft travelled half their present speed. Yet the



Will fighters eventually evolve into this?

need for early warning is now far greater since it has become desirable, if not essential, that RAF fighters should be able to make their interceptions well out to sea. And quite apart from the vast destruction that a hostile aircraft carrying an atom bomb might cause if it were brought down on land, there is also the threat of the guided bomb capable of reaching its target from a range of 50 or 100 miles. If such bombs come into use, the fighter will have to intercept the parent bomber before it has launched its missile, and this will demand a better warning system than is now available or within reach.

If the speed of modern aircraft places a premium on depth, the greater range given by flight refuelling makes it necessary for Britain to be prepared to meet attack from any quarter. The perfect warning system must cover all approaches and must be capable of dealing with attacks at all and any heights between sea level and 60,000 feet. The direct approaches from Germany may soon be adequately covered by radar, but there is a serious weakness in the north because no effective air defence system has been established in Denmark and Norway, and neither country is prepared to allow any other member of Nato to make use of radar stations and fighter bases on their soil.

Just as the system of warning and control must be designed for all-round defence, so the interceptor fighter must be equipped for all-weather operations. In Exercise Momentum, last month's large-scale test of British air defences, the percentage of successful interceptions was higher by night than by day—because the night fighters were equipped with radar and the day fighters were not. The lesson to be drawn from this experience is that either the scientists must develop radar equipment suitable for the new day fighters, the Swifts and Hunters, or else the new all-weather fighter, the Javelin, will be needed sooner and in greater numbers than is planned at present.

Even when it has met these many and varied requirements, British air power will still have two further heavy responsibilities. First, the Navy's ability to defend sea communications from submarine attack depends on the strength and quality of its air arm. It is significant that the naval authorities are showing such lively interest in high performance fighters equipped with radar. Secondly, strategic flexibility must be improved through the use of air transport. This responsibility may not necessarily be imposed directly upon the RAF; perhaps the provision of aircraft could be undertaken more economically by private operators. But by one means or another the capacity to move troops and equipment and to maintain a long-distance supply line by air is an essential element in Britain's strategic planning.

These are heavy tasks. Will they be greater than this country can afford to undertake? The question is a challenge to strategic planning. If too much is sought in air security, the country will find itself weakened in other ways. But if the sights are set too low, defeat in the air will mean that neither the Navy nor the Army will be able to save the country.



*Canada's Wharf
to the World!*

AS Phillips' "Table of Distances" clearly shows, Halifax is actually NEARER than any other North American mainland port to the leading ports of Europe and Africa—to the principal Atlantic ports of South America—and to all Asiatic ports, as far east as Hong Kong.

Manufacturers using the Port of Halifax are thus brought hundreds of miles closer to the most important overseas markets. They save long, costly hauls on imported raw materials and on their fabricated exports.

In addition, a Halifax location gives them first access to the nine hundred million dollar market of the Maritimes—including Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island.

We are particularly interested in submitting surveys to meet the needs of any inquiring industrialist.

Write for full information to:

MAYOR OF HALIFAX
CITY HALL • HALIFAX, CANADA



The famous Gold Seal, which appears on the side-walls of all Dunlop car tyres, is the symbol of the finest tyres ever. Of these the DUNLOP 'FORT', unequalled for strength, trouble-free performance and long mileage, is the choice of the motorist who is prepared to pay a little more to be sure of the very best.

DUNLOP FORT

In a Class by Itself

31/144

A new way to look at your typist

• MY TYPIST prepared this advertisement for Press.
You mean she typed it out?

• I mean she 'type set' it from start to finish, as you see it reproduced here.

Type setting? By the office typist? But what about the changes of type face, differential spacing, line justification and so on?

• My typist handled all that. She also prepares 'masters' for all our Sales Brochures, Handbooks, Price Lists and every form we use in the factory.

What sort of a girl is this?

• Just an average typist—with a VARI-TYPER. It's as easy to work as a typewriter, and makes perfect master plates for photo litho or direct reproduction.

I must look into this. I'd be glad to see the end of type-setting and printing charges.

• I thought you'd be interested. Write or phone VARI-TYPER DISTRIBUTORS (Gr. Britain) LTD. at 18, Aldwych House London, W.C.2., HOLborn 2014—they'll be glad to give you details.

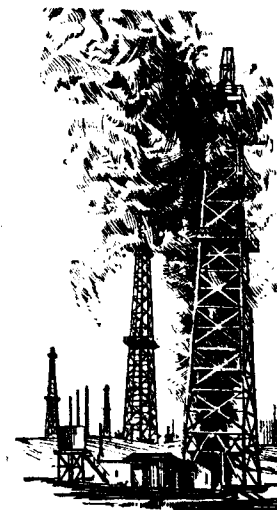
† VARI-TYPERS ARE SAVING MONEY IN PUBLIC SERVICE THROUGHOUT THE BRITISH ISLES.

Glenfield Control

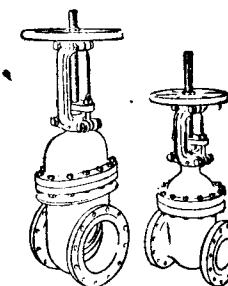
IN THE

OIL INDUSTRY

Oil valves, which control in all stages of its preparation and distribution a product that has become indispensable to man, are designed to meet conditions which are probably the most severe of any industry and accordingly a very high standard is set.



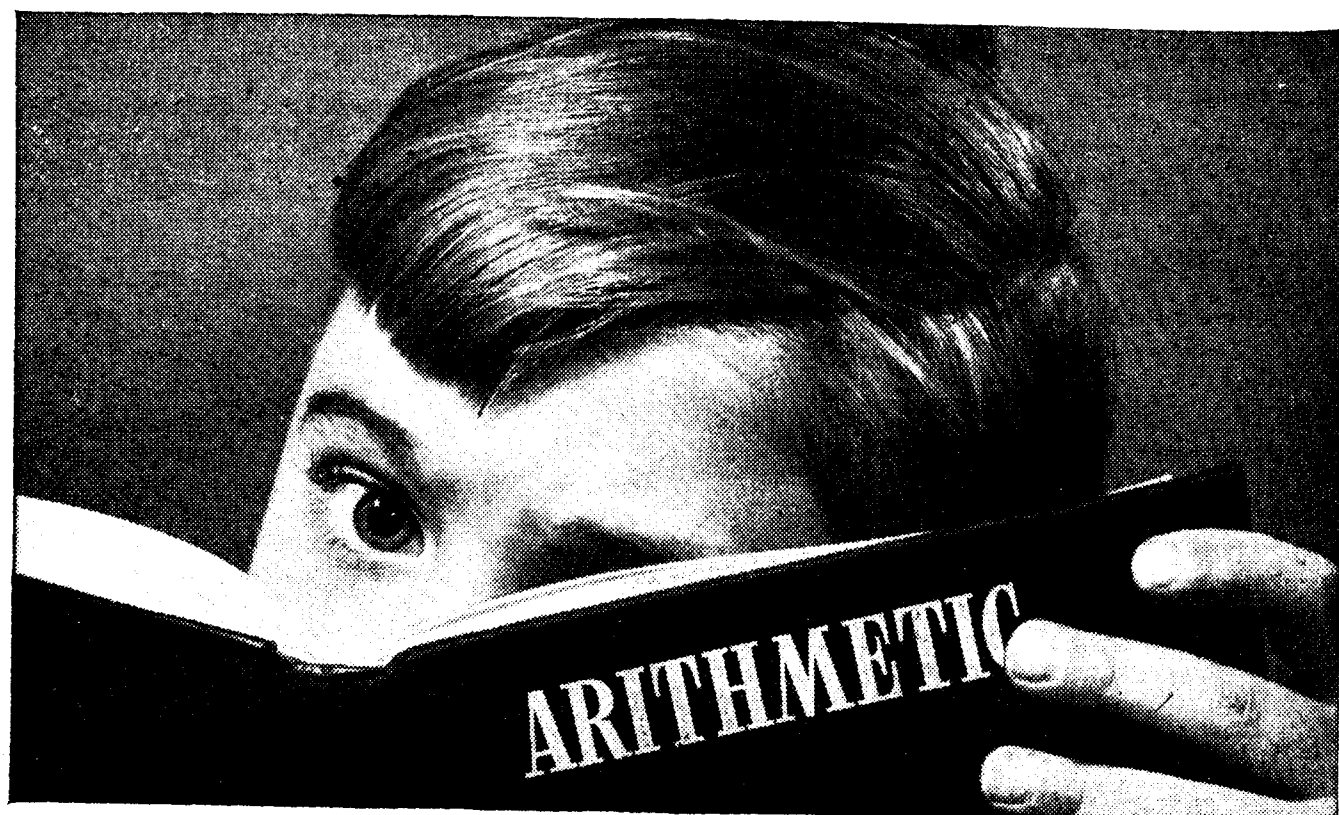
Innumerable "Glenfield" Sluice Valves for oil are controlling the flow of oil in pipe-lines, in boosting pumping stations, in refineries and to storage tanks.



Glenfield
GLENFIELD & KENNEDY LIMITED KILMARNOCK

HEAD OFFICE & WORKS:
KILMARNOCK • SCOTLAND

A.S.A. Class 150. A.S.A. Class 300
TO B.S.S. 1414/1949



When Figures Are All-Important...

... smart shippers save money on *transportation*! Average cost of handling general cargo in United States ports per gang hour is \$1.46 per M/T (Measurement/Ton). Cost in the Port of New Orleans is only \$1.05 per M/T... less than any other major port! This is one reason

why New Orleans was declared by the U. S. Army to be America's *most efficient port*.

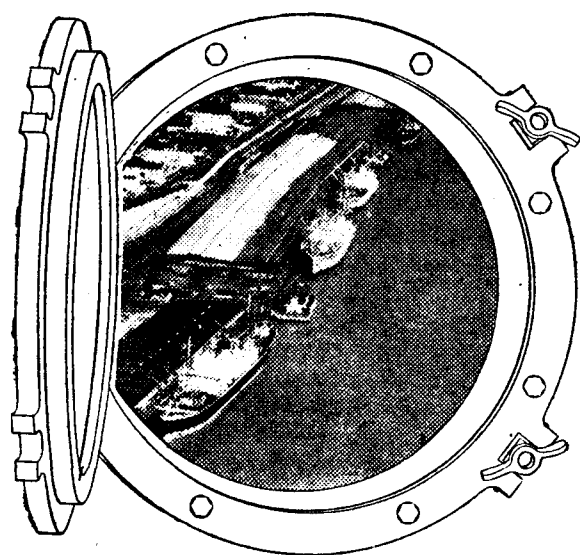
Ship New Orleans... Port of All-Important Savings



CHECK ALL THESE ADVANTAGES:

- Ample supply of friendly labor
- Favorable location for trade with entire Mid-Continent area of the United States
- Foreign Trade Zone No. 2
- No lighterage needed
- Ample handling equipment for all types of cargo
- Connecting network of rail, truck, barge, air transport
- Ample marginal wharfage
- International House and International Trade Mart facilitating foreign trade

Write in confidence for detailed information to Director of Commerce
**BOARD OF COMMISSIONERS
 OF THE PORT OF NEW ORLEANS**
 2 CANAL STREET, NEW ORLEANS, LA., U.S.A.
 New York, 17 Battery Place • Washington, 739-40 Munsey Bldg.
 Chicago, 111 W. Washington St. • St. Louis, Ry. Exch. Bldg., Suite D & E-1



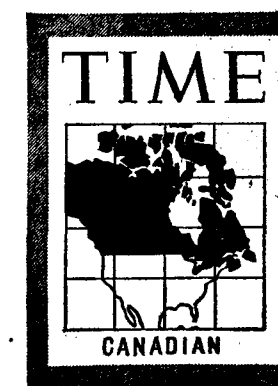
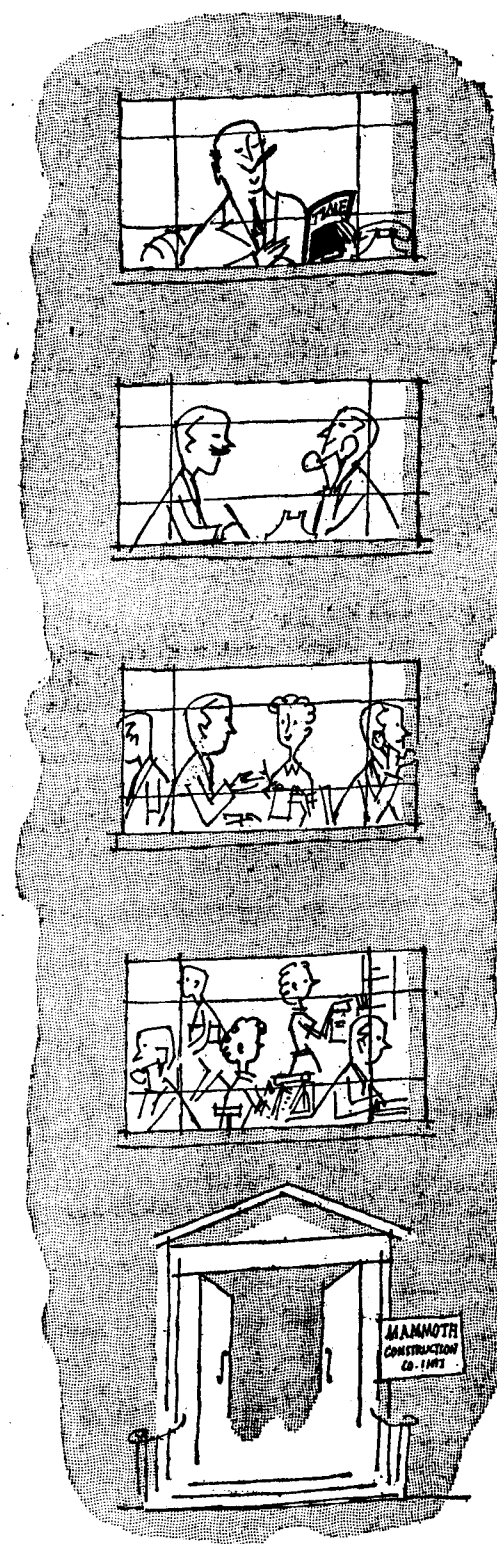
Wharves parallel to the stream
are designed for shiplside efficiency

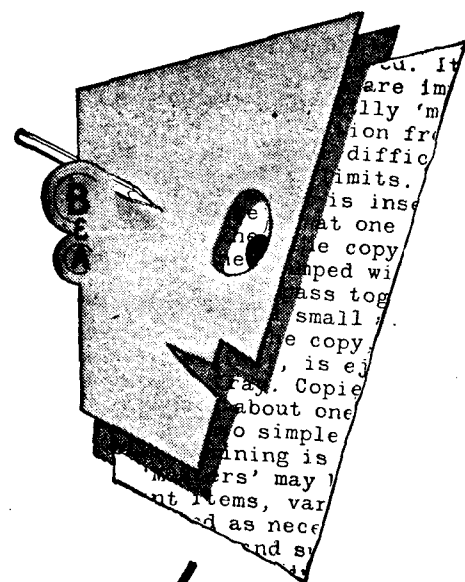
Sell the man at the top!

Influential business men
in over 100 countries prefer
TIME INTERNATIONAL
to any other publication

The four editions of TIME INTERNATIONAL, published in English, cover the world's most important markets outside the U.S.A. Every week these editions are read by more than 1,700,000 influential people in over 100 countries. Not only are 92% of TIME INTERNATIONAL subscribers in business, government and the professions, but the world's top business men prefer TIME INTERNATIONAL to any other publication. TIME INTERNATIONAL readers everywhere are the men and women who make trends, influence opinion, and help to determine the trading policies of companies and governments. To the advertiser, these are the people who *shape the course of business throughout the world!*

You can buy advertising space in all four editions—TIME Atlantic, TIME Canadian, TIME Pacific and TIME Latin American—or in the editions that cover the areas in which you are most interested. Full details from: The Advertisement Director, Time International, Time & Life Building, New Bond Street, London, W1





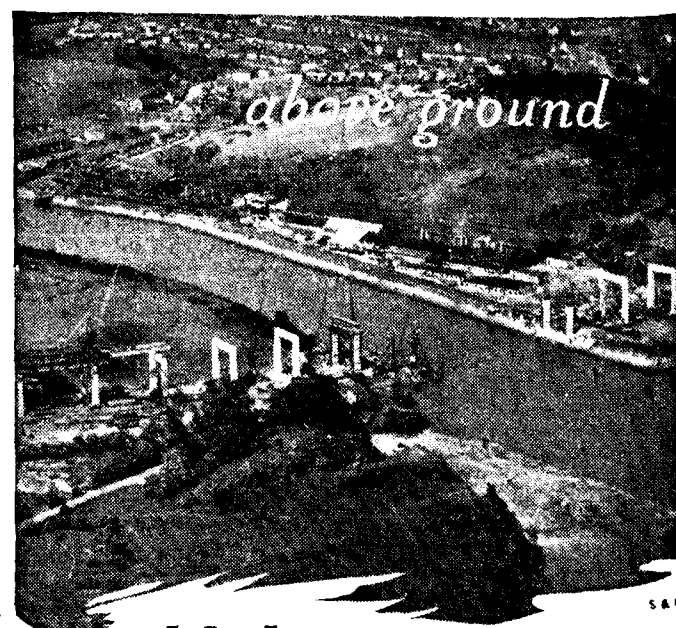
*Let's have every copy
easy to read*

Let's have done with poor copies from old fashioned copying methods; let's have no more inaccuracies, or waste of time on checking and rechecking; let's have 3 to 300 copies of reports or schedules, plans or drawings, memos or minutes etc.—from a 'master' that involves little more than typing or drawing on a piece of paper; let's have colour as simply and cheaply as black and white—without ink or stencils.

LET'S HAVE BANDA—FOR PERFECT COPIES.

SEND FOR FULL DETAILS AND PRICES.

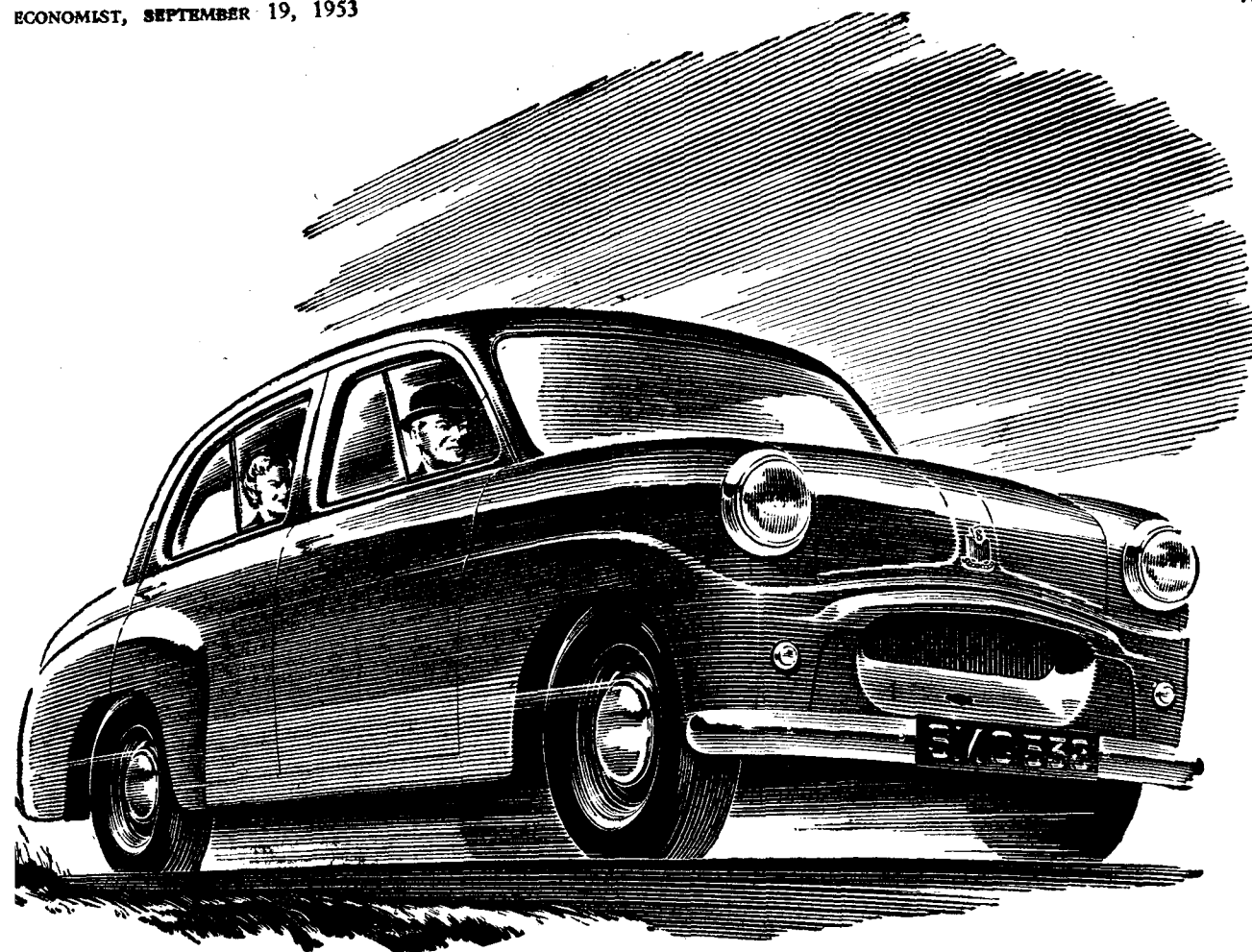
BLOCK & ANDERSON LIMITED,
58-60 KENSINGTON CHURCH STREET, LONDON, W.8.



and below Under the control of Cleveland's foundation engineers, the rock strata deep under the surface has been exposed and tested . . . then concrete and steel is moulded in the foundations which are to support many thousands of tons of steel structure. There is no better plan than to place deep foundation construction in Cleveland's experienced hands.

CLEVELAND

Builders of Bridges & Fabricators of all types of structural steelwork

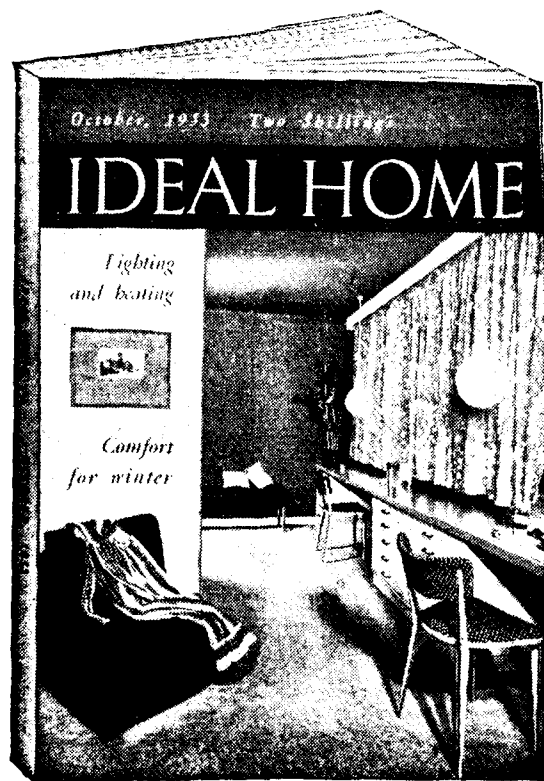


ANNOUNCING THE NEW STANDARD EIGHT

NOW IN VOLUME PRODUCTION

£339 + A.P.

Standard Motor Company Ltd., Coventry, England • London Export Office & Showrooms: 15-17 Berkeley Square, W.1 • Phone: Grosvenor 8181
STANDARD CARS • TRIUMPH CARS • STANDARD COMMERCIAL VEHICLES • FERGUSON TRACTORS



THIS greatly enlarged number of IDEAL HOME—the biggest since the war!—is specifically directed at solving the problems of heating and lighting in homes of various sizes, and gives an up-to-the-minute review of every latest development in heating systems, cookers, and hot-water supply. Especially worthwhile is its supplement on modern methods of through-heating your home. Well over 200 splendid photographs and drawings illustrate this important issue. IDEAL HOME is the leading monthly magazine on the house and its garden, and is the recognised authority on practical home improvements.

148 PAGES
including a
SUPPLEMENT
OF
EIGHT
EXPERT
SCHEMES
for the complete
HEATING
of your home

Annual Subscription Rates
Inland and Overseas, except
Canada.....27/-
Canada and U.S.A.....34

IDEAL HOME
Magazine — Two Shillings
OUT FRIDAY SEPT. 25th.



*New way
to extra sales!
with
plastic packs...*

Over-the-counter selling has become impersonal in these highly competitive times. It's the pack that helps the salesman's job today! Do you want *your* pack to look attractively different... to reflect the quality of the goods inside... to *sell* your product visually? Then you should know about Lustrex*.

Lustrex, Monsanto's polystyrene, is an excellent material for sales-compelling packaging. It is one of the most economical of plastics, and has a brighter, more lustrous finish than any other comparable material. Your choice of colours is infinite—in opaque, clear or translucent finishes. Lustrex is light yet strong, odourless, tasteless, hygienic and can be safely washed in warm water. In short, Lustrex is ideal for packaging.

Lustrex and Sodium Benzoate are two of Monsanto's wide range of chemicals and plastics for industry. If you have a problem which chemicals might solve—get in touch with Monsanto *today*!

(*Registered Trade Mark)



MONSANTO CHEMICALS FOR EVERY INDUSTRY

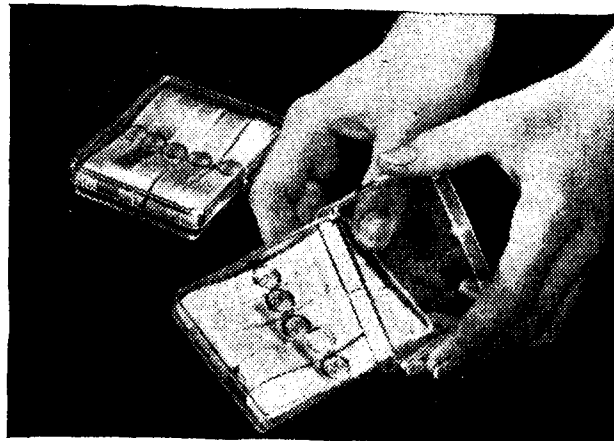
MONSANTO CHEMICALS LIMITED,

51 Victoria Station House, Victoria Street, London, S.W.1.

Do you package metals?

If so, there is another Monsanto product of vital importance to you—Sodium Benzoate. When wrapped in material impregnated with this chemical, steel, tin plate, chromium plate and zinc objects can be given complete protection against corrosion and stored for long periods with every confidence.

Write now for full information.



*Gift ribbon box moulded in Lustrex by
Casceloid Ltd., for J. & J. Cash Ltd., Coventry.*

The Economist

FOUNDED 1843

SEPTEMBER 19, 1953

ONE SHILLING

The Adenauer Way	759
Supports for Farmers	761
Peking's Paper Tigers	763
Pay as You Wear	764

NOTES OF THE WEEK

France at the Centre; The Vanishing Security Council; The Liberals' Reorganisation; Claims on Empty Kitties; Industrial Serenity; The Rise of Nikita Khrushchev; The Town in No Man's Land; Bulgaria Falls into Line; The Allegiance of Sir Lincoln Evans; Beveridge on the Rocks?; Teeth and Drugs; Preferences and Europe; Steps Toward a Steel Cartel; Science Shortages; Cold Fish War; Round the Rugged Rocks; Pay Packets or Study?; The Recorder's Angel? 766

LETTERS TO THE EDITOR . . . 774

BOOKS AND PUBLICATIONS . . 775

AMERICAN SURVEY

Dropping the Plumber 779
California Without Warren 780
Stevenson on Trial; Wall Street Looks Ahead; Sources of Defence; Natural Gas Rises; Shorter Notes.

THE WORLD OVERSEAS

Assembly and Agenda 786
Bonn Galaxy; Soviet Economy After Stalin—III; Germany and the Arabs; Australia's Incentive Budget; Life in North Korea; New Zealand's Budget.

THE BUSINESS WORLD

Demand under the Microscope . . 797
Firedamp in the Oven 800

BUSINESS NOTES

Bank Rate "Unified"; Tale of Two Markets; A Bigger IMF?; Easier Australian Markets; Bank Advances Before and After; Federation and Board; Testing the Coal Guesses; Will Cinemas Close?; Standard's Baby Car; London Airport's Next Stage; Price Arrangements for Home Grains; Trade in August; Fall in June; Shorter Notes. 801

COMPANY NOTES AND SECURITY

PRICES 813
STATISTICS 816

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

The Adenauer Way

IF there is a single moral to be drawn from the events that led up to Dr Adenauer's decisive electoral victory it is that doggedness pays.

Against a great deal of brilliantly argued, frighteningly candid and politically distinguished advice, those in the Atlantic alliance who believed in his foreign policy persisted in the view that Western Germany must first be securely tied into the free democratic community of the western nations before progress could safely be made with restoring German unity. They were told that this persistence would make the Chancellor and the western powers appear to be opponents of German unity, and that the West Germans would therefore vote against them. The advice proved to be wrong. They were told that the spirit of Europe had changed and that plans of political, economic, and military integration were out of date. The evidence is still to the contrary. They were told that the Russians would never accept an Adenauer victory. That has still not been proved correct. Indeed, it looks—one hardly dare say it—as if the clumsy Americans have been right and the pessimistic experts on Europe wrong.

The doggedness has had powerful help. The Russians helped with their wavering and inept handling of Germans, both east and west of the Elbe. The Germans who resisted their Communist rulers in June helped enormously; so did less publicised resisters in Eastern Europe. Sir Winston Churchill helped—though it is only now becoming clear how—by saying in one passage of his famous speech that Dr Adenauer would not be let down and in another that the Russians must be given satisfactory assurances about the security of the Soviet Union. But the fact remains that a clearly formulated policy of winning Western Germany for Free Europe—a positive and not a defensive policy—has won a crucial diplomatic victory for the West.

Because this idea was clear in detail as well as in general pattern, it held the field against vaguer rivals. Because the purpose behind it was firm, it could profit by such unpredictable boons as the death of Stalin and the riots in East Berlin. There lies the lesson for the future conduct of western policy: that clarity and firmness profit from any luck that is going. Admittedly the policy has dangers: for Britain as well as France there are defects and perils latent in the plans both of the defence community and of the coal-steel pool. But there is no effective alternative to what is substantially the Acheson-Bevin-Adenauer policy for Germany.

What has changed is our ability to calculate future possibilities more clearly than they could be seen in 1950. The need to meet Russian fears for the security of the Soviet Union is now widely admitted and discussed, after years in which it was never mentioned. It is coming to be seen that the question of the German frontier with Poland cannot be indefinitely referred to only in whispers. The basic economic problems of Western Europe are clearer than they were. The age of American aid is ending and a revolution in the weapons of war

is on the horizon. All these things modify the conceptions of 1950, but they do not alter the validity of the analysis that was then made, which, put at its simplest, took the following form. There are three possible ways of dealing with Germany as a power in Europe. Either you can have a disarmed and dependent Germany with a burning political grievance about its eastern frontier that the Russians can at any moment remedy on their own terms. Or you can have an armed and independent Germany with a grievance that can be settled only by force. Or you can have an armed Germany which has not complete independence in military matters and has allies that are not prepared to allow its grievance to be dealt with by force. The choice of the third solution was made in 1950, and it cannot now be withdrawn.

★

This is not to say that the European policy agreed with Dr Adenauer can or should be carried out in an impatient, bull-headed manner. There is all the difference between firmness and toughness; the former makes negotiation with the Russians possible, the latter merely puts it off. The western powers have to move forward within the limits and at the pace set by facts. Among these facts are the intense reluctance of many Frenchmen to contest *tête-à-tête* with the Germans the leadership of a European community; the state of French and Italian politics; the uncertainty about Soviet policy now that the voice of Molotov has reasserted itself; the expectations of four-power negotiations aroused by what has been said and done in the last six months; and the reluctance of American opinion to appreciate the part that can be played by patient manoeuvre in a cold war which has been lately going against the Communists. In this setting, and with an invitation to Lugano in a month's time awaiting the Kremlin's reply, it would be foolish to expect in a short space of time French ratification of the EDC Treaty, a start with German rearmament, and quick, decisive steps towards the unification of Western Europe. What is to be hoped for—indeed, it is an essential tactical requirement—is that decisive steps should be taken to show the Kremlin that German membership of a western political community is now a fact—not a fact to be negotiated about, but a fact from which negotiation begins. It can then be explained to the Russians in negotiation that the military risks for them of such an arrangement will depend on the future course of their own policy and relations with the West.

For example, it is clear that the EDC Treaty would be more quickly and easily ratified by the French Parliament if it was believed that the extent of German rearmament within the community would be dependent on the course of four-power negotiations with the Russians for a German settlement. Likewise, the Russians would be far more likely to accept the *fait accompli* of Dr Adenauer's victory and its implications if they had reason to believe that German power in the

EDC would be limited by Great Power agreement and guarantees against aggression. Dr Adenauer himself has already seen this point and made his suggestions of what Germany and the EDC itself could offer. The British Government, too, has its ideas on the subject; and there is no doubt that the Russians, if they showed enough interest to come to Lugano, might hear something to their advantage. The EDC, thanks to the arguments and misrepresentations of its opponents, has been made to look like a monstrous conspiracy to liberate Communist Europe by German soldiers using American tanks; whereas it is in fact an attempt to ensure that the restoration of independence to a German government will secure its allegiance to a European community and provide a limited—but only a limited—contribution to the common defence.

So long as the Russians have the faintest hope that the western ranks can be divided on this issue they will continue to represent the European Defence Community as the main obstacle to peace and German unity. That bluff must be called before any progress in negotiation can be made; and the way to call it is to press on with the political acts that are needed in France and Italy to bring the community into existence and the Bonn conventions into force. When that has been done, it will be time to discuss how quickly the plans for German rearmament shall be carried out. The decision would depend on the ideas and the mood that Molotov and his colleagues revealed at Lugano, or wherever else they may eventually make their views known. The essential thing is that their fear of German rearmament should be skilfully used to secure reasonable terms for the reunification of Germany and a lighter hand in Eastern Europe.

★

Doggedness along such lines, with free parliaments sitting and oppositions baiting governments with reminders of how recently Germany was the supreme enemy, will not be easy. But it is not possible to see, on the evidence furnished from the Soviet Union, any alternative tactic. Clearly the Malenkov regime wants to concentrate as much as possible of the country's energies and resources on simultaneously improving the standard of living, continuing the sensational progress in heavy industry, and assisting the industrialisation of China. To be left alone to pursue such aims it may be willing to pay quite a high price to the West.

But there is no sign so far of what the price might be; and the sign is lacking for the simple reason that the hesitations and disagreements among the western allies must have made Malenkov and his advisers hope that no price at all need be paid. Dr Adenauer's victory is a warning that the judgment was wrong; but it needs reinforcing by a clear determination to go on with the organisation of a strong Western Europe for the containment of Soviet influence and the restraint of German nationalism.

Supports for Farmers

THE Government announced on Tuesday its long-awaited scheme for the marketing of the cereals that will come from British farms next year. This is an important further stage in the development of an agricultural policy that will restore free markets while still providing a reasonable security of income for the farmer. It should, indeed, be a decisive stage. The scheme for cereals is welcome in principle, and in detail it is as satisfactory as could, for the first year, be expected. It should provide a model on which, despite the opposition of the National Farmers' Union, free markets will be restored for other farm products. About this—and particularly about the most difficult case, livestock marketing—the Government is still undecided; but at least the right precedent has now been set.

The cereals scheme is discussed in more detail in the Business Notes of this issue. The essential change is that minimum prices, paid to each farmer by the Government, are replaced by standard prices, which represent the Government's guarantee of a minimum average return for farmers as a whole. The farmer will actually sell his cereals in a free market, to whom and at what price he can; he will be in competition with other farmers and with imports. The quantities and prices of all sales will be recorded. If the average price actually realised by, say, the 1954 rye harvest exceeds or equals the standard price laid down by the Government—in this particular case, 25s. a cwt.—that is the end of the matter; the farmer has earned his income on a free market. But if the average price works out at less than 25s., the Government will make up the difference. The "deficiency payment" to each farmer will be the difference between the standard and the average realised price, multiplied by the quantity of rye he has sold.

The system works thus simply only for rye. For wheat, the standard price will be subject to seasonal variations, while for barley and oats the actual deficiency payments to farmers will be based on the acreages grown; they will be calculated from the price deficiency according to the average yield per acre. For barley, there are additional complications in reckoning the "average" price to be used. But such technical difficulties are not overwhelming and seem to be effectively dealt with in the Government's scheme. The underlying conception has been tried before, in the 1932 Wheat Act, which worked fairly satisfactorily. Deficiency payments are tolerably straightforward in administration, and in principle they provide the simple and effective way of letting prices move freely, to perform their main economic function, without putting the farmer at, as he sees it, their unrestrained mercy.

The National Farmers' Union has accepted this scheme "without prejudice to the form of the permanent organisation for dealing with cereals." This

presumably means that the NFU still hankers after some producers' marketing board to work in conjunction with government support for cereal prices. It points out regretfully that what is guaranteed by the deficiency payments scheme is a standard return to cereal-growers as a whole, not to the individual farmer. His deficiency payment for, say, wheat is based on the average price of all the home-grown output. If the price at which he has sold his own crop turns out to be below the average price, his total return—from the market and from the Government, through the deficiency payment—will fall short of the standard price. Other farmers, who have sold above the average price, will get a corresponding premium. Under this system, the price mechanism is allowed to give its proper reward to the farmer who is skilful in his choice of time and place to sell or whose product is above the average in quality. For crops so standardised and unperishable as grains, salesmanship and variations in quality are of comparatively minor importance. For livestock, which presents the Government with its major problem in agricultural marketing, they are of major importance. If the incentives provided by a free market with deficiency payments are a defect in the NFU's opinion, they are one of the scheme's merits for the public and also, indeed, for the enterprising farmer. A marketing board that was purely a co-operative body for dealing with the physical problems of orderly marketing would not affect this situation. But if it were a trading body run by farmers—a monopoly seller of domestic produce—its practical effect would almost certainly be to reduce the extra rewards for quality and for skill in selling. It would provide a flatter security for farmers at a serious cost in incentives and therefore in benefit to the consumer. The Government should set its face against proposals of this kind.

★

This is one test, the negative test, of the Government's determination to restore economic freedom. The second, and positive, test is its use of standard prices under the deficiency payments schemes. Those schemes are welcome as a beginning. In themselves, they provide merely a framework within which to apply a sounder agricultural policy. A sound policy is one that raises agricultural efficiency, that gets as much food as possible grown in this country, not (or at least not mainly) by keeping imports out, but because it can be grown economically at home. The cereals scheme, as it will begin to operate next year, has little to do with economic production. The standard prices will be almost the same as the present fixed prices that the farmer has been getting for his cereals. In effect, the scheme means that he may gain on the swings—if market demand is strong and pushes prices higher—but he will not lose on the roundabouts. The prices,

to be made up if necessary by deficiency payments, are those deliberately set, under the agricultural policy of the postwar years, to provide a general stimulus to high farm output. They enable the marginal farmer on poor land at least to scratch a hard living; because of the present wide spread in agricultural costs, they therefore necessarily provide the farmers of good land with profits that may be high even if they do not farm particularly well.

The public may quickly become aware of this situation. It is quite possible that, if importers are allowed to go on trading fairly freely, the market prices of cereals will next year be below the standard prices. The country may be taxed in order to provide a two-car standard for a minority of farmers. That hardly corresponds to the idea of "deficiency" payments. The correspondence will become even less if a similar scheme is applied, as in principle it should be, to live-stock marketing. There the present prices fixed for bacon and pork, in order to stimulate output, are much higher than the British product could command in competition even with quite limited imports from Denmark and elsewhere. The taxpayer's deficiency payments would be in fact—and obviously—a prop for much uneconomic production.

Immediately, this is unavoidable. In practical politics the Government cannot be expected to introduce a new marketing system and in the same move greatly reduce incomes in the countryside. The standard prices must start out near the previous guaranteed prices. This should be accepted, and not be allowed to stand in the way of a free market, with deficiency payments, even for livestock. But the Government would be wise to make it plain to the farmers that standard prices cannot be kept so high for long. Large and continued deficiency payments would place a crippling burden on the rest of the economy—thereby reducing British exports and making the balance of payments worse, not better; and politically it would not be accepted as fair, once the public had become aware of the facts, that even a small minority of farmers should do very well on public money. That is certainly not the sort of security to which the farmer is entitled, or indeed the sort that was promised to him in the Agriculture Act of 1947.

★

It is important to distinguish between the two purposes for which public money should be spent on agriculture. One is to give the farmer security in bad times, to provide an equivalent of the industrial worker's unemployment benefit. This is the proper scope of deficiency payments, and just as unemployment benefit is available to all without a means test, deficiency payments are the general right of all farmers, however large their profits in good times. But it follows from this that deficiency payments ought not to be large. The other purpose of public expenditure is to stimulate a bigger agricultural output in this country than would

be secured by pure *laissez faire*. To attempt to do this by disbursing large sums to all farmers, including those who would be making a living without them, is very expensive and, at the best, only partially effective. To continue the analogy with industry, it is like giving grants of public money in aid of all wages in order to get more work done. The economic way to expand output by state aid is to concentrate it, by a variety of specific grants and subsidies, on the places where it is needed—that is, on the places where it will result in food being produced that would otherwise never have been produced at all.

The line of policy, then, is to get away from the idea that general payments of public money in aid of farm prices—whether they be guaranteed prices or deficiency payments—are the main weapon of agricultural policy and should therefore be high and permanent. On the contrary, the aim should be to confine them to hard times and to move progressively towards making them no bigger than is necessary to enable the farmer of average efficiency to cover his prime costs (including in those a minimum wage for his own labour). It is, of course, easier to say this in general terms than to interpret it in specific price levels—particularly in times like the present, when so many years of high and rigid prices, of controlled marketing and of virtual freezing of rents have created an unusually wide spread of costs. At the present time, "average costs" have hardly any meaning, and to base standard prices on an arithmetical calculation would spell disaster, not the promised security, for many farmers. But to recognise this is not in any way to abandon the principle—that public money should be provided for the whole farming community only in bad years and in relatively small amounts.

If this is accepted, then the main reliance for raising the level of agricultural production will have to be progressively shifted on to the other leg of policy—an armoury of specific measures for concentrating the state's assistance (not all of it in cash) in places where it will do specific good in terms of bigger and better production. This is an area of policy to which quite inadequate attention has been given—partly because of the concentration both of the farmers' representatives and of the Ministry of Agriculture on the one expensive device of guaranteed prices—and it is the one to which concentrated thought should now be given. There is no occasion for the state to be mean or niggardly; if specific aids and subsidies are combined with progressive reductions in the standard prices to be assured to all farmers by means of deficiency payments, then there will in any event be a large saving to the Exchequer.

It is too early to tell whether Government policy for agriculture is likely to settle on such lines as these. Certainly there is a long way to go yet, and it is a way requiring courage and realism from politicians. But by leaving cereals to a free market and confining guarantees for these crops to the flexible form of a deficiency payments scheme, the Government is at least setting out on a road that promises well.

Peking's Paper Tigers

CHOU EN-LAI'S new rebuff to the United Nations, delivered on the eve of the new session of the Assembly, and dutifully echoed by the North Korean regime, should be a sharp and timely reminder of the nature of the government in Peking with which the outside world has to deal. As such, it deserves careful study. An article in *The Economist* last week discussed the problem of drawing together British and American policies towards China. That remains the most urgent task of diplomacy as regards the Far East. But concentration on it must not preclude—must, indeed, embrace—a thorough examination of the attitudes and activities of Mao Tse-tung's government itself, and of the hard realities behind it. A rank growth of illusions about that government has sprung up in both eastern and western minds, and before any useful settlement can be reached in the Far East this growth will have to be cut away. Nor will it be enough that the free world should view Peking more clearly; Peking's own eyes will have to be opened too.

How does the Peking government see itself? Chou En-lai's catalogue of refusals and demands is a concise revelation of the Chinese Communists' attitude. It is no surprise to find, in this portmanteau of haughtiness, humbug, and plain ignorance, no shadow of guilt or accepted responsibility for the extension of the Korean war, one year of which bloodshed was caused exclusively by Peking's demand for the surrender of its own fugitive conscripts, a demand eventually dropped as blandly as it had been made. What is, perhaps, surprising is the extent to which Mao Tse-tung sees himself not only as wholly innocent, but also as the victor over the United States and its allies. Indeed, some loud sabre-rattling was done in Peking last week by Peng Teh-huai, the Chinese general who, behind the façade of Kim Il Sung's wobbly authority, has commanded the Communist armies in Korea. General Peng's threats of a new onslaught on South Korea might carry more conviction if the world did not remember the earlier Chinese boasts that they would drive the United Nations' army into the sea; but the threats themselves reflected the unrepentant braggadocio now prevailing in Peking.

This mood has apparently led Mao Tse-tung's government to base its post-armistice policies on two assumptions. The first is that China now holds a commanding position in the Far East as a whole; the second, that the differences of view and interest between the non-Communist nations are so wide that China, by working on them, can secure all its political objectives. Only reasoning of this kind can explain why the Peking government has refused to meet the representatives appointed by the United Nations Assembly to a Korean

peace conference, and has demanded that the Assembly should cancel its own decisions, appoint a team approved by Uno's antagonists in the field, and invite those antagonists to take part in its own debates on the subject.

The substance of Chou En-lai's demands had already been brought before the Assembly by Mr Vyshinsky, and firmly rejected. The Chinese must be fully aware what humiliating terms they are offering to the United Nations, and their arrogance is blended with a sweeping indifference to Korea's real need for peace. Mao is not in the least concerned that his tactics involve the risk that the peace conference may not be able to meet until after the agreed time-limit, or indeed may not meet at all. He appears to be solely concerned to exploit the obvious divisions between the free nations, in sublime confidence that this proceeding will bring into his hands everything that he claims.

★

To judge from much that is said and written in the free world, Mao's delusions are widely shared. The Chinese problem is often discussed purely in terms of the readiness with which each successive demand from Peking should be satisfied. Yet between these assumptions and the realities of Communist China's position yawns a huge gap. In the first place, despite all its trumpeting of victory, Peng Teh-huai's great army has not won the Korean war. It has signally failed to achieve its declared intention of overrunning South Korea—while, on the other hand, the United Nations has punctiliously realised its original military objective of freeing South Korea from the aggressor. In 1950 the purpose was to reunify Korea under the Communist North; in 1953 such a consummation is militarily and economically no longer feasible. True, the Chinese have held their line; but they have been able to do so only because none of the nations that came to South Korea's defence wanted to make the conflict an all-out war. It is also true that Communist China emerges from the war as a considerable military power. Yet its offensive strength is still severely limited, both by its lack of naval forces and by its dependence on Soviet armaments; and its military expansion has been accompanied by the exhaustion of its North Korean ally.

It is even more important to remember that, in the long battle of wills at Panmunjom, it was China that eventually backed down, characteristically choosing to do so only after maintaining its inhuman demand for the return of unwilling prisoners for a full year. It would be ludicrous to suppose that this move sprang from a sudden emotion of tenderness towards the prisoners. The decision taken in Peking last March

can be ascribed only to a belated realisation that the Korean adventure had become a burden and a danger for China. Confirmation of this has been provided in recent months by Peking's own admissions of failures in its plan for industrialisation, of shortage of skilled manpower, of rural discontent and even of famines. Mao was doubtless willing to see the economy of his Korean allies indefinitely disrupted by UN bombing and by the strain of supporting the Chinese armies; but he drew the line at sacrificing his own plans. His decision must have been hastened by China's failure—now publicly admitted—to obtain the industrial supplies it had been promised from the Soviet sphere in Europe. Trading within the Comecon system has clearly proved a disappointment to the Chinese Communists; and this week's announcement that they are to receive a further instalment of economic "aid" from the Soviet Union does not affect the fact that their commercial approaches to Japan and the West now contain a strong element of genuine urgency.

In reality, then, it is obvious that Peking's present intransigence about relatively unimportant questions of prestige is little more than a mask for its real needs, which are peace and trade. It is equally obvious that the only strong card Mao can play is the threat of renewed fighting in Korea. To play that card, however, would be to jeopardise all his objectives, both political and economic, in exactly the same way as they were being jeopardised by the continuance of the fighting before the armistice.

★

Nothing in this situation bears out the idea that Peking's successive demands must be automatically granted. On the contrary, there is something fantastic in the sight of a government, already branded as an

aggressor, and sorely in need not only of a respite from the strains of its own war but also of supplies that its antagonists can provide calmly laying down its own terms and telling the United Nations to eat its words. Chou En-lai has made it clear that his government proposes to extend not merely the membership of the peace conference, but its scope, too; in other words, to make whatever settlement may be reached in Korea dependent on the satisfaction of Peking's numerous demands. That cock—or paper tiger, to use the Chinese Communists' own jargon—will not fight. As to the immediate issue of the membership of the conference, it would be a fatal blow to the authority of the United Nations if the Assembly now adopted, at the dictation of the aggressor, a formula it had already rejected.

It is doubtless too much to expect penitence from Peking. But it is not too much to require the Chinese Communists—and some of their hasty friends in the free world—to open their eyes to reality. Indeed, until Mao's government comes to see its own difficulties more clearly, it is doubtful whether any settlement with it will be possible. This objective is not made easier to achieve by those in the West who raise a clamour for the instant and unconditional surrender to China of every bargaining counter that the United Nations possesses. There is much that the world can offer ultimately to China as a reward for good behaviour—particularly in the form of trade. But as long as Mao believes that, by brandishing his paper tigers, he can gain all he wants without accepting any corresponding obligations, he will remain as confidently unreasonable as two years of Panmunjom showed him to be. If, however, the free nations can match his bluster with patience, it must be only a question of time before the weaknesses in China's bargaining position are revealed to all parties.

Pay as You Wear

THERE are many ways of buying clothes without paying for them—or at any rate without paying for them at once. The well-to-do can keep the tailor or dressmaker waiting or run a credit account at a high-class store. In the middle of the social scale, most people take it for granted that clothes are bought for cash; but further down comes a large section of the working-class population which habitually makes use of credit. The forms of this credit are seldom referred to in print, but they are sufficiently widespread to constitute an important element in the economics of distribution.

The extent to which drapery—that is clothing, footwear and household textiles—is bought on credit is not known, but there are plenty of indications that it is very large. During the war, when organised credit systems were greatly reduced, the government conducted a

survey among working-class housewives to find how far "easy payment" buying had survived; well over a third of those questioned admitted that they were still buying goods, mostly clothes, on credit. When government action in 1942 threatened to put a stop to a particular method of buying clothing on instalments, one firm alone marshalled half a million signatures in a month for a petition of protest. Nowadays the habit of buying clothes on credit has grown again to its prewar proportions. People with a day-to-day familiarity with wage-earners' budgets describe it as "the usual thing" or "almost universal," and although they may exaggerate, their conviction serves to underline a general ignorance on the part of economists about an important factor in the workers' standard of living.

There are, broadly speaking, two ways of financing

the consumer of drapery goods. On the one hand, there are the various schemes by which the drapery trade itself extends credit to its retail customers, and on the other there is the practice of "check" or "ticket" trading, organised by firms which deal solely in money lending and do not themselves buy and sell goods. The consumer as a rule cares nothing for the distinction. All he—or she—knows is the name of an individual who will arrange for a new suit or a pair of children's shoes to be obtained at once and paid for gradually over the next five or six months. But the difference between retailing and money lending is real and carries implications which ought to be better understood.

The drapery trade extends its own credit to customers to enable them to "pay as you wear" in a variety of ways. There is, for example, "straight credit" granted by the shopkeeper to customers he knows personally—the ordinary delay in payment common to the "butcher, the baker and the candlestick maker." Then there are the "Shop Clubs," of endless varieties.* They are sponsored either by a fair-sized shop or, less often, by a group of shops in any one district. Sometimes such a club is run for the shop by a woman among her fellow workers in a factory or large office. She collects, say, twenty girls, who agree to contribute 10s. a week to her club, and pays the £10 a week so collected into the shop, in return for a voucher. Each week the members draw lots for the voucher, and the winner can spend it at once. At worst, a member may have to pay for twenty weeks before buying anything; at best, she may have twenty weeks' credit for nothing. The organiser is paid for her trouble by a discount of perhaps 1s. in the £ on some purchase of her own, and the shop is repaid by the extra custom. At this stage it is the members, not the shops, that grant credit, but such clubs are often developed on a bigger scale in a neighbourhood instead of a place of work, and the draw-by-lot abandoned in favour of granting 20 weeks' credit to every member; they are sometimes each charged 1s. in the £, which the agent is allowed to keep as her remuneration.

★

A third kind of "pay as you wear" is familiar in the Sunday press—the mail order house which offers instalment terms to anybody purchasing goods by post. This is a gamble on the public's honesty and the bad debts are proportionately greater. Sometimes a customer is asked for the name of a householder to guarantee his payments; often the business obtained through advertisement is given a stiffening by the use of spare-time agents, who are provided with illustrated catalogues and paid a small commission to obtain customers from among their friends and relatives. In a widely scattered community, such as the American Middle West, this method of retailing has obvious advantages and flourishes accordingly. In a country as well served with retail outlets as England, postal buying has never shown signs of becoming a widespread habit, even with

the added attraction of deferred payment; as a source of credit it is relatively unimportant.

Yet a fourth kind of hire purchase in drapery is known by the somewhat ambiguous title of "Credit Trading." To drapers this has a quite specific meaning, as the name of a distinct system of retailing with a long history. The Scots call it the "English system," and the English refer to its agents as "Scotch drapers." Behind this confusion of titles lies a form of retail drapery business with sidelines in footwear and household textiles operated not from a shop but on a door-to-door basis. The credit trader has a "round" or list of households he visits week by week, selling goods on credit and collecting the money for them in instalments over 20 weeks or so. He usually charges 5 per cent of the price for his services, but the real reward for his trouble in collecting week by week on the doorstep is the steady continuity of custom which he or his agents maintain with families through years or even through generations.

He saves the expenses of running a shop and tying up capital in a large stock. He takes orders from samples, or for "another pair of sheets like last time," though the practice is growing of keeping a small showroom to which salesmen can send customers to choose fashion goods, and so also is the practice of arranging with wholesale warehouses to receive "customer's custom"—that is, to allow the credit-trader's clients to choose direct from wholesaler's stocks.

The trader's new customers are always personally recommended, his bad debts something less than one per cent, and when he dies or retires his "book" or custom is bought at a premium. A business so personal as credit trading does not lend itself to large scale operation. There are one or two nationally known companies; but the typical firm might be said to have 15 to 20 travelling salesmen and a turnover of £2,000 a week, and there are many small and even one-man operators. A cautious estimate of the amount of drapery sold in this way would be £10-£20 million a year, but it may well be a good deal more and it seems to be growing steadily.

In all these ways, by "straight credit," by shop clubs, by mail order instalment purchase and by credit trading the drapery trade increases its turnover by enabling its poorer customers to hire-purchase clothing, footwear and household textiles. The form of consumer credit known as "check" or "ticket" trading, on the other hand, is not provided as a means of selling goods; it is a purely financial transaction profitable in its own right. In essentials it amounts to this. An agent for a check company issues a customer with a check for, say, £1. The customer pays him a "poundage" of 5 per cent—that is, one shilling—and repays the sum by 20 weekly payments of 1s. each. Meanwhile, she can use the check to buy goods to the value of £1 at any one of a number of shops specified by the check company. The shopkeeper in due course claims a settlement from the check company which redeems its £1 checks at a discount—usually for 17s. 6d.

The shopkeepers' accounts are rendered monthly and

settled a month later, so that the average check is not redeemed until the customer has been paying her instalments on it for six weeks, as well as the 1s. "pound-age." The effective loan is therefore 10s. 6d. for 14 weeks and on this the gross return, 3s. 6d., looks enormous—some 125 per cent per year. There are, however, substantial expenses in running a business of this kind. Agents are paid a commission of 7½ per cent of their takings plus a 5 per cent bonus on any new custom; they need to be supervised, and their new customers' credit-worthiness confirmed. Then again, a simple check for £10 is often spent in small sums in half a dozen different shops, involving a lot of clerical work when it comes back for settlement. True, Sir Joshua Waddilove, who invented the system in Bradford in the eighties, died a millionaire, but his company had started with no competition and the shopkeepers paid him a high discount. As "the Prov," this company remains a household word, especially in the industrial north where check trading is strongest. It still does about half the total check-trade in the country; it has 300 branches, forty of them in London, and is reputed to deal with a million households. Its competitors all

work on a much smaller scale. There are said to be about a thousand of them of all sizes, from the network with agents in 60 towns down to the one-man operators who abound in the north-east. There are probably over 200, for example, in Middlesbrough alone, many of them sparetime check traders in back streets, people who have come into a little money and find customers among their neighbours, but operating in all essentials like the large companies. For a man—or woman—with a little money and the right connections such a club, with no overheads, is easier than backing horses and far more profitable.

Strong opinions are held about check trading. Social workers deplore it as a means of running improvident families into debt. The Drapers' Chamber of Trade denounces it as an interloper into legitimate commerce—and bids members copy its methods. The check traders defend themselves as benefactors of mankind, succouring the poor and needy. Without presuming to sit in judgment on such extreme claims, a subsequent article will attempt to discuss some of the more sober considerations involved.

(To be concluded)

Notes of the Week

France at the Centre

FRANCE'S wobbling cabinet sits this week at the centre of a bewildering web of events. The Germans want to talk about a European solution for the Saar; the British have defined the greater role they would play in the European Defence Community in a further effort to persuade the Assembly to ratify the EDC treaty; M. Laniel is to visit Washington, where he will have to balance the American desire for an offensive in Indo-China (with the help of \$385 million) against the feeling that Vietnam may be ready to treat, and all around the web people are busily and spitefully pointing out that France cannot afford to do what it ought to do and does not want to do what it could afford to do. There are even some voices—lately heard, as one would expect, in *Le Monde*—urging the government to defy the Americans, leave Nato, and join with the Russians in frustrating German rearmament. This picture of M. Bidault as the Syngman Rhee of Europe is a most unfortunate contribution to present allied reasons for exasperation with French difficulties.

In fact, of course, the situation is one in which a skilful and determined foreign minister (a French Adenauer), loyally backed by the Assembly, could get for France such

guarantees of security and protection against outside domination—whether Russian or German—as no prewar French statesman would even have dreamed of. But it would have to be done by compromise—for example, over the Saar; by patience—for example, over negotiations with Moscow; by determination—for example, in Indo-China, where the enemy's readiness to negotiate will not be increased by hints of French withdrawal; by loyalty—for example, over the Bonn and European treaties. Quick, drastic acts of initiative or defiance by weak governments will get France nowhere.

Dr Adenauer has gone straight to the heart of these difficulties by proposing talks on the Saar with M. Bidault. He will propose that the territory be Europeanised provided the population votes—as it did not recently—for such a solution. It is important that French opinion should grasp one particular point: it is that the German Chancellor will be bitterly attacked for this in Germany, not only because his nationalist opponents want the unconditional return of the Saar but because they know that successful Europeanisation of this territory would encourage the Chancellor to propose a similar arrangement with Poland for the Oder-Neisse territories. If the French refuse compromise on the Saar, important though it is to their weak economy, they will be helping to frustrate any hope of a peaceful handling of the eastern frontier question. But

they cannot be expected to accept all the risks of compromise with Germany unless the United States and Britain do everything they can to show that they too will think and act first as the good ally.

The Vanishing Security Council

ONE of the first controversial items on the agenda of the new United Nations Assembly which opened this week was the filling of three seats in the Security Council. As in previous years, the argument revolves round the East European seat which is claimed by the Russians as a pocket borough, while the United States has long taken the view that the Assembly is free to fill it by electing a state such as Yugoslavia, Greece or Turkey. The din of battle in these periodic debates cannot, however, distract attention from the fact that the Security Council itself has long suffered from a wasting disease.

This is not entirely due to the paralysis inflicted on it by Soviet use of the veto power. Since 1950, when Mr Malik's curiously clumsy tactics of boycott enabled the Council to authorise UN action against aggression in Korea, the Russians have, indeed, taken care to block any action it might take that would interfere with their plans. But in recent years the Council has also remained quiescent in regard to tension in areas such as Trieste and Kashmir. In fact, since the beginning of 1953 its sole activity has been the unexpected agreement on the appointment of the new Secretary-General, Mr Hammarskjöld.

In British constitutional practice, a public body which lapses into total inaction is often allowed also to lapse into extinction, or, to use a famous phrase, innocuous desuetude. Is it perhaps time to think of applying this convention to the Security Council? There may even be grounds for hastening the process. There is little point in wasting the Assembly's time and generating unnecessary frictions between friendly states in order to renew the membership of a body which has apparently ceased to serve any good purpose. Moreover, it is easy to see that the eventual solution of the problem of the Chinese seat would be easier if that seat were only one among sixty of its peers, instead of carrying with it, as it now does, the privilege of a permanent place in the Security Council and the power of wielding the veto.

The Liberals' Reorganisation

MR FRANK BYERS, who was Chief Whip of the Liberal Party in the 1945-50 Parliament, has withdrawn his prospective candidature in North Dorset, the constituency that he only just failed to hold for the Liberals in the 1950 and 1951 elections. He has explained that he cannot afford either the time to nurse the constituency or the time to fulfil his Parliamentary duties if he is elected. In this, Mr Byers is only one of a growing number of MPs and candidates who are being forced out by the increasing demands both of Parliament itself and of constituents:

during the week the MP is a prisoner within the walls of Westminster; at the weekend he may have to be a poor man's lawyer and patient guide through the maze of bureaucracy.

The withdrawal of Mr Byers has, however, a special significance. Whatever the other pressures on him, it is a confession that even the party's official hopes of a Liberal revival have fallen very low when one of its most outstanding and experienced leaders decides not to contest one of its most promising constituencies. Mr Byers's action fits, however, into the strategy that the Liberals have been following for the past eighteen months. Under the grandiloquent title of "Operation Basic" they have been engaged in the straightforward, but difficult, task of cutting the dead wood out of their constituency and regional associations. The task has varied from area to area, and has called for patience and considerable tact on the part of the teams sent out from the party headquarters in London. In some constituencies, older chairmen—and chairwomen—whose enthusiasm and long records of loyal service were no longer matched by their ability have been replaced by younger and perhaps less distinguished figures. In others, it has been necessary to secure an adequate balance of age and experience in an association which was being run with vigour but also ineptness by enthusiasts new to politics. The two big parties can overcome such difficulties by hiring paid organisers. The Liberals have to rely entirely on voluntary effort—as they are now relying, to a greater degree than ever before, on voluntary subscriptions from the constituencies to cover the cost of their London headquarters.

Mr Byers has played a leading part in this reorganisation, since he is head of the Central Association with the key task of watching over the choice of candidates. His decision to carry on with this work at the party headquarters, while abandoning Parliamentary politics for the present, clearly reflects the way in which realistic Liberals now see their function. No one can predict whether in some circumstances the party's cause might revive, but at least the enthusiasm of the hard core of party workers remains unflagging. What the party can therefore do is to give itself the more realistic and practical sort of organisation that would enable it to take the opportunity if events should move in the Liberals' favour. In this way the remote chance is kept in being.

Claims on Empty Kitties

AT the Trades Union Congress last week Mr Stevens, general secretary of the Electrical Trades Union, urged other unions to follow his example and to organise "vigorous campaigning" for higher wages; there was plenty of scope for them, he argued, by squeezing profits. Mr Deakin condemned this as "the economics of bedlam"; and, he asked, what about those industries "where there ain't any profit?" In the nationalised industries, he implied, higher wages could only lead to higher prices. Here was Congress talking about more and better nationalisation, but people were already asking what they had got out of it except higher prices.

The TUC seemed to understand Mr Deakin's warning;

at least, it emphatically rejected Mr Stevens's plea. Nevertheless, wage claims in two of the unprofitable nationalised industries were discussed in London this week. On Tuesday the representatives of the Railway Executive rejected claims made on behalf of nearly 600,000 railway workers and shopmen for an increase of 15 per cent in wages. For the railway workers the next step will no doubt be an examination of the claim by the Railway Staff National Council; the shopmen, for whom no such negotiating machinery exists, will probably ask for arbitration by the Industrial Court. On Thursday the executive of the National Union of Mineworkers decided what its claim for lower-paid miners should be. The Coal Board's deficit and falling production are an unfavourable background for any demand, and earlier this year the union had sense enough to decide against an all-round wage claim. A third claim has also been discussed this week. On Monday the leaders of the portworkers' union, representing some 77,000 workers, refused an offer by the employers' representatives, and agreed that their claim for a substantial increase should be referred to the Minister of Labour, whose officials they and the employers were to meet on Friday. The dockers are in a rather stronger position than they were, for unemployment has fallen this year; but the burden of paying men for whom there is no work still weighs heavily on the employers.

None of the unions concerned in these claims shows any disposition to sidestep the machinery of negotiation and arbitration. That, in essence, is what the TUC means by wage restraint. Last week, when Congress decisively rejected the motion to abandon all restraint, it did not mean that industries which cannot afford wage increases should not be asked for them. Even Mr Deakin meant only that demands should not be made in the brusque manner of the Electrical Trades Union.

Industrial Serenity

AFTER some grumbling, both parties in the dispute over electricians' wages complied with the Minister of Labour's request that there should be a truce while the Court of Inquiry sits. First, the employers decided not to proceed with plans they had apparently been making to dismiss strikers. The union, on its side, had at first resented the decision to appoint a Court of Inquiry; nevertheless, it recommended its members who are on strike to return to work on Thursday when the court sits. A strong recommendation did not at first satisfy the employers, who regard this as different from a withdrawal of strike notices; but on second thoughts they decided to ask their member firms to make no difficulty in allowing strikers to return to work on Thursday.

At the last minute, therefore, what the union calls "industrial serenity" prevailed when the court met. Its deliberations will probably last four or five days, and its findings will not be known until the publication of a White Paper, perhaps a week or two later. This gives tempers a little time to cool. They are already wonderfully cooler than they were a few days ago, when relations had undoubtedly become very bad—not least because of the resentment of the employers' representatives that they

themselves should be singled out as victims of the strike. A measure of serenity is certainly needed if a settlement is to be brought about by the simple process of inquiry. But at least it is a good sign that the union is not insensitive to public opinion. It has taken care that its strike should not directly inconvenience the public at large, and the milder attitude now shown may perhaps be due to Mr Stevens's failure to get the support of his fellow trade unionists in the Isle of Man.

The Rise of Nikita Khrushchev

ON the rumour that Nikita Khrushchev is Malenkov's brother-in-law theories have been built that Khrushchev's rise to the position of first secretary of the party is due to Malenkov's backing. In fact there is no certainty that the two are linked by family ties; in any case, such ties are a very poor criterion of Soviet political alignments. Trotsky and Kamenev were brothers-in-law, but that did not prevent Kamenev siding with Stalin against Trotsky (a Spanish proverb comes to mind: "He who goes to church with his brother-in-law comes out alone"). Indeed, it would seem that Khrushchev stands in Malenkov's way, that he is a potential, if not an actual competitor. After Stalin's death it looked for a moment as if Malenkov would inherit both the premiership and the party secretariat. Then it was announced that Malenkov "resigned" from the secretariat, thus leaving Khrushchev as the senior man in that crucial party body. Yet, Khrushchev was not officially proclaimed first secretary until now, that is to say well after Beria's fall.

Khrushchev is an old party stalwart and was a full member of the Politbureau already before the war. The Ukraine was his main field of action and he has been both party secretary and premier of that republic. Since 1949 Khrushchev has concentrated on agriculture. It was he who carried out the supplementary collectivisation, the joining of farms into larger units. He even drew pictures of an industrialised countryside with farmers living in agro-towns. This threat to the last remnants of private property, however, evoked strong protests. Khrushchev was rebuked but not disgraced. At last year's Party Congress he was in the limelight as the rapporteur on the party statute. After Stalin's death Khrushchev was first pushed aside, but soon succeeded in wresting the secretariat from Malenkov. It is not impossible that he was a leader of the anti-Beria group. Anyhow, after Beria's fall he immediately rose in the Soviet hierarchy and now his strong position is officially acknowledged.

Beria was accused, among other things, of trying to restore capitalism in the countryside. By the irony of fate Nikita Khrushchev—the man of the agro-towns—is now carrying out a policy of concessions to the peasants (analysed on page 788). To throw your opponent overboard and then to be forced to adopt his policy is a common event in Stalinist annals. Khrushchev is now officially placed as third in Soviet ranking. As agricultural policy-maker and boss of the party machine his power is probably second to none but Malenkov. It is even to be wondered whose voice does and will carry more weight in the councils of the Kremlin.

The Town in No Man's Land

THIS weekend sees the inauguration of one of the strangest communities ever founded. The 22,000 Chinese and Korean soldiers captured by the United Nations who have asked for sanctuary have been brought up from South Korea to the demilitarised zone which runs along the former battlefield, and settled in a tent city covering some five square miles. They are behind barbed wire, and guarded by 5,000 Indian troops; but elaborate and costly arrangements have been made to ensure that they may choose freely whether to spend their future lives under Communist rule or in the free world. With them, in Shanti Nagar (which means Peace Town to the Indians, but is bound to become Shanty Town to others), live the Poles, Czechs, Swedes, Swiss and Indians of the repatriation commission, whose joint responsibility the prisoners now are, and over a hundred Chinese and Korean Communist "explainers," who will be given repeated but carefully supervised opportunities to talk them into going north. This bizarre assembly is to last for three months, after which the Korean peace conference will make a final brief attempt to find an agreed formula for the disposal of those prisoners who remain, and then, in January, they must go free.

This painstaking experiment in fair play, which is in striking contrast to the forced indoctrination and brutal pressure applied by the Communists to their prisoners, is full of delicate problems. For example, the Communists claim that some of the Chinese really want to go home, but dare not because their comrades have forcibly tattooed them with Nationalist slogans. Can General Thorat, the Indian commander, find among his medical orderlies any capable of removing tattoo marks? Again, the Communists are now bound to hand over to the international commission the few Korean and United Nations prisoners who, they announced, have also refused repatriation. Originally the Communists claimed that there were 400 of these men, but the correspondents of western Communist newspapers, who often act as their masters' mouthpieces at Panmunjom, have now given signs of an imminent climbing down from that figure. It is to be hoped that this will not merely swell the lists of UN prisoners still unaccounted for, which are already grievously long.

Bulgaria Falls into Line

ACCORDING to unconfirmed reports the new economic fashions spreading through eastern Europe have been creating dissensions and doubts among the Bulgarian Communist leaders. Whatever the truth of these reports, the differences now seem to have been resolved and the doubts overcome. If, as was reported, the Premier, Vlko Chervenkov, took a trip to Moscow, that no doubt was the deciding factor. Soon after his return reductions in the prices of consumer goods were announced; and last week, at the anniversary celebrations of Bulgaria's liberation by the Red Army, Chervenkov announced further economic concessions and modifications of economic policy. If he had private doubts as to the wisdom of these changes, he at least must

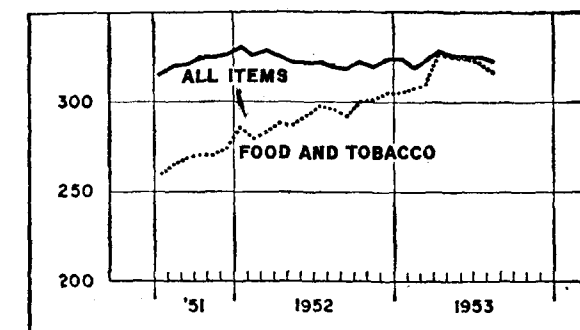
have had the satisfaction of confounding those who had said that his days were numbered; he was supported on the platform by the most prominent of his alleged rivals and opponents.

As in Hungary and Rumania, the economic changes announced by the Bulgarian Prime Minister are designed to allay popular discontent by providing more food and consumer goods. Bulgaria's second five-year plan, which began this year, is to be changed (to an unspecified extent) so that light industry can be developed more rapidly at the expense of heavy industry. Chervenkov admitted that the government had made plenty of mistakes, but he did not eat humble pie to the same extent as his Hungarian and Rumanian colleagues have done. He said frankly that Bulgaria could not hope to develop all branches of heavy industry; and he implied that it had never intended to do so since membership of the "socialist camp," where there was a "correct socialist division of labour," made this unnecessary. It appears that Bulgarian industry is to play second fiddle to agriculture; which is to be developed as rapidly as possible. Already collectivisation has proceeded so far—over 60 per cent of the arable land belongs to the "socialist sector"—that the regime evidently does not feel compelled, as elsewhere in eastern Europe, to woo the private farmer in order to secure bigger food supplies. Almost all its efforts are concentrated on making life for the collective farmer easier and more rewarding.

The Allegiance of Sir Lincoln Evans

THE Trades Union Congress last week supported, by a handsome majority, Sir Lincoln Evans's much-criticised action in becoming vice-chairman of the Steel Board. In this much more was implied than an undoubted personal triumph for Sir Lincoln himself. Not for the first time, but more clearly perhaps than ever before, the controversy has brought out the clash between rival ideals of what trade unionism should be. The delegates who sought to condemn Sir Lincoln as, in effect, a renegade and turncoat, did so in the name of political trade unionism, the spearhead of the class war, the instrument of Socialism. The job of the workers' leaders, in terms of this ideal, is to fight for Socialism and against all anti-Socialist measures;

BRITISH WHOLESALE PRICES
INDEX NUMBERS 1938=100



when Conservatism is in power, they should be alongside the Labour Party in active opposition.

Sir Lincoln Evans justified himself in terms of an older ideal: according to this, the job of the workers' leader is to represent the interests of his constituents regardless of political circumstances, furthering them—with a "sacred egoism" akin to that of the national patriot—by war if necessary, by peaceful negotiation if possible, by influence and a word in season when neither war nor overt negotiation is called for. On this reckoning it is a union leader's duty to take a position in which, as a spokesman and representative of labour, he can safeguard and further its interests more effectively; and this remains true whether he fills that position in his capacity as a trade unionist or in his capacity as an able and experienced individual, and whether the position concerned is created in the course of a Socialist or an anti-Socialist policy.

Congress accepted this view, very properly. But there remains a certain tension between the oldest, non-political interpretation of Sir Lincoln's duty and that which is, in our time, emerging not only from the development of such bodies as the Steel Board but from the whole evolutionary growth, at every level, of workers' participation in control. The man who, whatever his past experience, takes a share in management must henceforward be a manager, with a manager's responsibilities to the enterprise as a whole, to its customers and the community as well as to its workers. There may come a time when Sir Lincoln or another will find himself impelled to address, to those who feel themselves entitled to his exclusive consideration, an industrial equivalent of Burke's letter to the Electors of Bristol.

Beveridge on the Rocks?

LORD BEVERIDGE has repeated his warning that the principle of comprehensive social security is being undermined by inflation. National assistance payments were originally regarded as a residual catch-all; instead, they are constantly growing as higher prices cut the real value of insurance benefits. Merely to halt inflation now is not enough; benefits must be scaled up and the principle of comprehensive security re-established. It will be expensive, but first things, said Lord Beveridge, come first; other social and economic aims must if necessary give way.

The trouble is that no social service can, in principle, be treated as an unconditional first charge on the economic system. The "first thing" which must come first is that system's own upkeep, running expenses and renewal. It is highly desirable to provide the growing body of pensioners with adequate security as of right; but if that can be done only by laying on income-earners a load that cramps and distorts their productive efforts, or by cutting those social services that maintain their health and earning power and provide for the rising generation, then it is the principle of comprehensive security that must give way. A more specific and radical criticism of the whole "Beveridge" approach to social security is voiced in a newly published (and extremely well-written) Fabian pamphlet.* "Insurance" is a misnomer where there is neither genuine financial

* "The Reform of Social Security." By Brian Abel-Smith. Fabian Publications. 41 pages. 2s.

independence nor actuarially related contributions and benefits. Like Lord Beveridge, the author wants all benefits raised, as of right, to the Assistance Board's subsistence level and adjusted to an appropriate cost of living index. But he would substitute for the contributory system, with its special administrative expenses, anomalies and rigidities, the combination of a special flat income tax and payroll levy; and he would replace retirement pensions by superannuation benefits, payable, after a certain age, to workers and non-workers alike, rising from a low initial level to a full subsistence standard, and ending "the artificial division of life into so many years of work and so many years of retirement."

This is psychological as well as economic wisdom; and it goes to the root of the matter. Changing the fiscal basis of benefit will of course—apart from administrative economies—make no difference to the real cost of maintaining non-producers; and it is the real cost that counts. But opening the door to that gradual and elastic extension of working life which should be the counterpart of increased national longevity reduces the proportion of non-producers; and in real terms that proportion is equally important. Whether the "superannuation payment" at its maximum should equal the Assistance Board's scales or should remain an unconditional element supplemented only in cases of need depends, however, on the state of the real national income and not on political and psychological desirabilities.

Teeth and Drugs

THE latest report of the Ministry of Health (Cmd. 8933) gives some additional information about the effect of the various charges imposed in the health service. This is particularly so for the dental services, where the figures support Mr Macleod's assertion some months ago that the £1 charge for dental treatment and the Labour Government's charge for dentures were between them enabling dentists to give more time to the treatment of children. In the second half of 1952, courses of treatment for children of 14 and under were running at the rate of 1,250,000 a year, compared with 640,000 in 1950-51, when there were no charges at all. This may, it is true, merely mean that more children are being treated by health service dentists than under the school medical service; but as more dentists are now being employed by local authorities, there has probably been a real increase in the number of children being treated in one surgery or another.

The effect of the prescriptions charge has been more disappointing. The Ministry's report goes no further than the end of 1952; and it was possible to hope that the sharp increase in the number of prescriptions dispensed last December—following a big drop immediately after the shilling charge came into force—was only temporary. It was, in fact, caused by the fogs and illness that characterised the period. But last May Mr Macleod said that the number of prescriptions was still rising. It seems quite clear that the charge, so far from being a deterrent—and therefore in Labour eyes a hardship—has been taken in people's stride. The report, however, does not explain why, since more prescriptions are being dispensed, the charge is yielding less than was estimated. Nor does it give the number of

repayments that were made to persons on national assistance and to war pensioners.

The Ministry's report provides so much information about the health service—particularly about the hospitals—that one hardly likes to ask for more. But the publication of this report nearly nine months after the end of the period covered underlines the need for an explanatory memorandum to accompany the health service estimates every March. This would be of much more practical value than a delayed retrospect.

Preferences and Europe

THE members of GATT—the General Agreement on Tariffs and Trade—are now meeting in Geneva. Although the British Government seems to have hoped that its effort to substitute higher tariffs for quantitative restrictions on imports of some fruits and vegetables would meet with little opposition, this now seems unlikely. Technically, Britain's difficulty springs from its wish to impose such tariffs without extending them to imports from the Commonwealth. The real opposition, however, will come not from the purists who condemn imperial preference on principle but from those west European exporters—Italy, Holland, France, Belgium and Denmark—who would have to pay the tariffs.

The British Government has attempted to appease these exporters by pointing out that fruit and vegetables for the British market are now subject to complicated and capricious quantitative restrictions; for the exporters themselves, a stable old-fashioned tariff should be an improvement. So far this argument has not cut much ice. Europe's agricultural exporters maintain that Britain is already committed by the OEEC programme of trade liberalisation to a progressive reduction of quantitative restrictions. This programme is not concerned with tariffs. The European countries, consequently, suspect that once British market gardeners have found refuge behind tariff walls, the market will remain permanently protected, whereas there was always hope, while protection was provided by quantitative restrictions, that it would eventually be removed under the liberalisation programme.

A broader criticism, perhaps in the long run more important, is that if Britain is permitted to replace quantitative restrictions by higher tariffs, a precedent will be established which other countries may promptly follow. If they do, the OEEC's whole objective of trade liberalisation will be frustrated. This issue translates the British proposal from the economic to the political sphere; is the Foreign Office willingly standing by while the Board of Trade deals a blow at one of the main projects of European co-operation? The blow might, indeed, be easier to take if it were quite clear that British policy is inspired purely by considerations of agricultural protectionism that are unlikely to change. European exporters might then make the best of it. But it is hard to see why, for the sake of agricultural policy, the British request should be pressed now instead of being incorporated in the general reconsideration of GATT that will in any event be made next year. Other possible motives are not, of course, far to seek. The Conservative party conference will be sitting in little more than two

weeks, and it would no doubt be pleased with a Minister who could report that even a strictly limited freedom to increase imperial preferences had been regained.

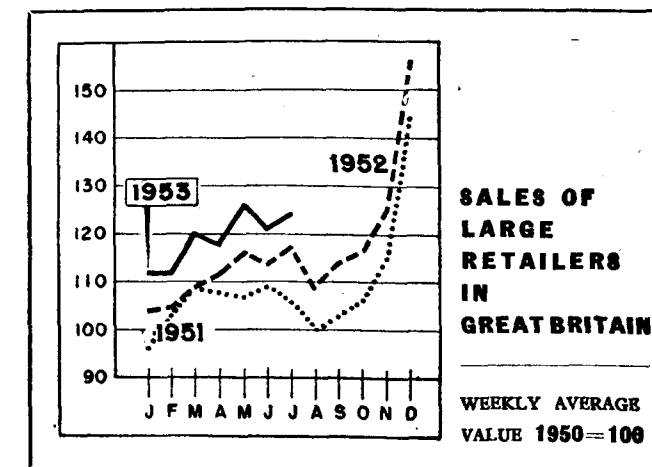
Steps Toward a Steel Cartel

QUITE early in the life of the European 'Coal-Steel Community there were signs that the steel producers were anxious to resuscitate some of the cartel arrangements they had used in prewar days. The treaty which governs the community forbade any such practices within the common market, but was ambiguous on the subject of what might be done in markets outside the area. In this the steel industries of the five member countries saw their opportunity; last spring their representatives met independently in Brussels and agreed on a common price that all would charge their overseas customers.

Recently the producers have buttressed this understanding with the introduction of a system of penalties under which a producer who violates the agreement will be fined \$50 per ton on any "ungentlemanly" sales. For the moment the High Authority apparently feels that it has no constitutional justification for interfering with these arrangements. Now, however, there is some talk among the producers of yet another extension of their agreement—the fixing of specific sales quotas. If they do take this step it might well be that the High Authority could legally step in with the claim that such a practice would be contrary to those principles of the treaty which aim not only to expand production but also to concentrate it in the most efficient plants.

Science Shortages

THE shortage of science teachers in the schools was heavily stressed by Mr Robert Birley, Headmaster of Eton, in his recent address to the British Association. He pointed out the futility of planning for scientific develop-



ments in Britain if the schools could not provide the necessary foundation for them.

Anxieties of this kind have gained a fairly wide currency, and it is surprising how little precise information on the subject can be obtained. It is confused by considerable special pleading from the various interests involved. Broadly speaking, the local education authorities are not anxious to give too much prominence to a difficulty that might involve them in a higher salaries bill. Conversely, science teachers are ready to argue that at the present level of teachers' salaries the competition from industry is much too great. In 1950 and again in 1952 the principal organisations representing secondary school teachers collected some information about unfilled vacancies. It suggested that 250 posts were unfilled at the approach of the new school year in 1952 and also showed special deficiencies among sixth-form teachers.

Evidence collected in this way is not, however, conclusive or even necessarily impartial. Something more authoritative is required as a basis of policy. Last June the Minister of Education asked the National Advisory Council for the Training and Supply of Teachers to find out the extent of the shortage and to recommend steps to overcome it. The facts are now being gathered. It is to be hoped that the committee will consider them expeditiously and will publish them fully. In their absence even Mr Birley's authority will not move matters as fast as, if he is right, they should be moved.

Cold Fish War

THE well-advertised and colourful attempts to revive the import into this country of Icelandic white fish have given a new twist to the year-old dispute between the Icelandic Government and British trawler owners. Early last year the International Court of Justice found in favour of Norway's claim to extend the limits of its territorial waters. The Icelandic Government naturally followed suit; it redrew the outer limits in such a way as to protect the white fish breeding grounds off its coast. Although a certain amount of local fishing is still permitted, all seine net and trawler fishing in these waters has been prohibited.

British trawler owners naturally resented this decision, which drove them off some of their most profitable fishing grounds; in retaliation, they succeeded in putting a total stop to imports of Icelandic fish into this country. The present threat to break the boycott has revealed to public gaze the mechanics by which it has been maintained. Mr Dawson, the intending importer, has been denied every facility at the ports, including the minimum supply of ice necessary for marketing the fish. This unanimity of opposition is being achieved by the threat of the local fishing fleet not to sell to any merchant who handles fish caught by Icelandic trawlers.

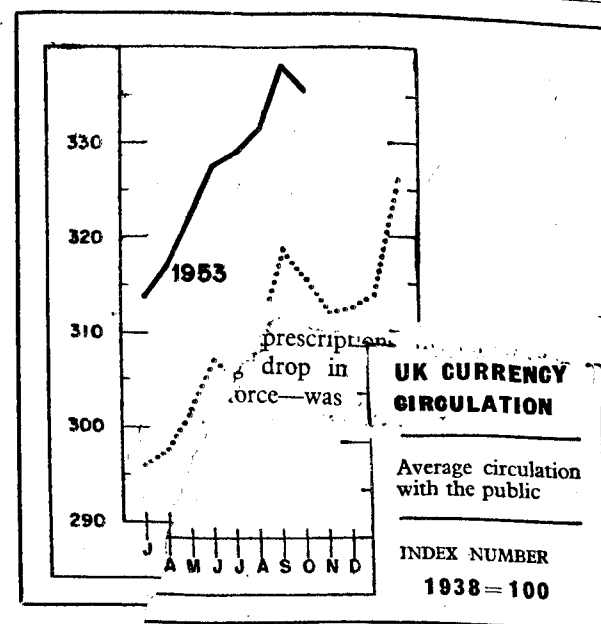
The trawler owners' case has not been improved by evidence that the boycott has made white fish dearer than it would be with Icelandic competition. Arguments for protection against that competition should be considered in their own right; they should not be confused with the quite distinct issue of retaliation. The trawler owners were never on good ground in adopting the strong-arm tactics

of a boycott. As an unofficial diplomatic weapon, it has been ineffective. The Icelandic Government has not withdrawn its decree, even though its fishing interests have suffered some damage. The proper approach to the whole question would, of course, be by an international inquiry into the problems of overfishing in the breeding grounds. It should cover not only the disputed grounds off Norway and Iceland, but also those off the coast of Scotland as well, where the local industry has been sadly crippled by the depredations of foreign trawlers without receiving any protection from the British Government.

Round the Rugged Rocks

THE medievalists will have their hour when the International Court hears the dispute between Britain and France over the Ecreho and Minquier islets, which lie between Jersey and the French coasts; for this dispute goes back some 750 years, to the French conquest of Normandy in 1204. In 1682 a distinguished Jerseyman described the islets as "being of noe use at alle"; but his fellow-islanders have taken a very different view. Although the islets have boasted no permanent population since the fifteenth century, Jersey fishermen have for centuries made them a base for summer fishing, and substantial buildings have been erected there. In 1850 a Jerseyman named Pinel took up residence on Maitre Ile and remained there for 45 years, although his wife left him after only 32. There is plenty of evidence that the islets have been subject to Jersey's legal authority for many years; and this legal right has been jealously upheld by the islanders, who on many occasions have repulsed French attempts to fish in these troubled waters, by diplomatic or more forceful methods. In the 1930s, however, French fishermen began to appear around the islands in force; and in 1945, when the German garrison on Jersey held out for some time, the Frenchmen seized the opportunity of getting to the islets before the Jerseymen. So the ancient rivalry flared up again.

That the massive machinery of international law should



have to creak into motion to settle a family quarrel may seem incongruous. Unlike the Anglo-Norwegian fishery dispute, the case of the Ecrehos and Minquiers is unlikely to create any precedents which would bind other nations. But when the Attorneys-General of the United Kingdom and Jersey travel together to The Hague to plead their claims to the Pipettes, Gross Tete, La Vieille, Les Maisons, the Tas de Pois and a host of other charmingly named rocks, they will at least be setting an example of respect for international law in small things as in great. And if the Indian, Brazilian, Russian, Chinese and other judges of the Court are so bemused by the dog-Latin of the parchments on which much of the case turns that they deliver a judgment which seems unfair to British eyes, responsibility for the confusion can be placed squarely on King John, who originated the whole affair by losing Normandy and who, as every schoolboy knows, was a Bad King.

The above paragraphs appeared in *The Economist* on December 22, 1951. They appear as relevant today, in view of the International Court's new hearings, as they did then. This fact, however, prompts some reflection on the speed—if that is the right word—at which the Court is accustomed to move.

Pay Packets or Study?

THE universities' long vacation has nearly ended and as the dons return the controversy about the merits and demerits of vacation jobs for their students is being renewed. A vacation job seems now to be regarded by most undergraduates as not only unavoidable, or at least respectable, but even as desirable. This is a sharp change from prewar days even if it is still different from the attitudes of most students abroad. But British dons are still by no means sure that it is sound.

No exact figures of the number of students who do holiday jobs are available, but the National Union of Students, which finds rather over 7,000 jobs a year, estimates that it covers only about one-third of the total. Opinions differ sharply about the proportions in which students are divided between those who take jobs because they cannot otherwise make ends meet and those who like the independence of a paypacket and the feeling of not being a charge on their parents. But a change in outlook there certainly is. To some extent it must reflect the smaller proportion of undergraduates who come from homes where a position of dependence until the age of 21 or 22 is accepted as normal. The habits of independence learned during national service no doubt also play their part.

Whether vacation work is good or bad for the undergraduate is open to endless argument, but it is very doubtful whether much can be done about it. The Ministry of Education policy is not clear a year ago, when its maintenance allural protection students were revised, that it regarded maintenance during vacations mainly as the responsibility of students and their parents. Even a large increase in the vacation allowance would compare unfavourably with paid work. Vacation jobs are mostly unskilled: farm camps provide a companionable life but industrial jobs are better paid. For example, the canning industry has a high seasonal demand, and the weekly wage

of about £6 for men may be doubled by overtime. At Christmas Post Office and railway work, particularly on night shifts, are also paying. Women students do not seek vacation jobs in such large numbers, partly because the jobs are less well paid, but perhaps more because the convention of the independent male has not—as yet—been widely imitated by daughters.

The Recorder's Angel?

ON October 27th, for the first time for 23 years, London and the Home Counties are to have another daily newspaper. *The Recorder*, a weekly paper, will transfer its name to the new twopenny daily, and will itself become *The Recorder Weekly*. It has long been the intention of the editor and proprietor, Mr William J. Brittain, to start a daily paper, and he has seized the opportunity provided by the removal of restrictions last May. It is a brave venture. The circulation of existing national dailies seems at present unstable; some are rising, some falling. The smallest are *The Financial Times* with 60,000 and *The Daily Worker* with 90,000—figures that look large, however, beside *The Recorder's* present circulation of 22,000. The new daily will continue the policies of the existing weekly—down with Socialism, up with the Empire, and Brittain for the British. Rumours that Lord Beaverbrook was financially interested in the venture were strengthened by a remarkable article in one of his newspapers this week; it argued at length, and vigorously, that his Empire crusade had failed because his papers had mishandled it. Was he going to pass the torch to *The Recorder*? But Mr Brittain categorically denies that Lord Beaverbrook or any other press lord has any connection, financial or otherwise, with his new paper.

The English Inn

England is ringing from end to end with complaints against publicans. Innkeepers' charges, like cab fares a few months ago, are now fiercely assailed. . . . The best cure, we must say as good Free-traders, would be found in carrying into all trades and all departments the admirable principle of "unrestricted competition." Already, it is said, confectioners are offering—though they dare not sell wine, nor spirituous liquors, nor beer—accommodation to travellers. Temperance hotels have probably no need of licences. If it were possible, with a due regard to the interests of the revenue, to set the trade of the publican wholly free—free alike from the jobbery of justices, the trammels of the excise, and the inspection of the police—we should apprehend that competition would again, and everywhere, make the inns of England superior to those of the Continent. In former times, they enjoyed a great reputation. An English inn was about as pleasant a place to "take one's ease" at as could be devised or desired; and unrestricted competition might restore their lost honour. Common consent now confers on the American hotels, which enjoy perfect freedom, a reputation similar to that once enjoyed by our own. . . . We must have unrestricted competition in every branch of business. Hotel-keeping, with beer-brewing and licensing public-houses, is a favourable one on which to prosecute the great experiment.

The Economist

September 17, 1953

Letters to the Editor

Labour and Korea

SIR—In your issue of August 22nd (which I have only just seen) you make a really remarkable statement about the Korean policies of the Labour Government and the present Government. "Why," you ask, "does Mr Jay say that the Morrison pledge went no further than retaliation against bomber bases in Manchuria? In the only form in which it has been made public, it was not so limited."

Your researches must have been singularly brief or myopic. On February 18, 1952 (the day after Sir Winston's "disclosure" in the House of Commons), Mr Attlee issued a statement in which he said that in discussions with America the question had arisen of what action should be taken in the event of "heavy air attacks being launched against the forces of the UN by aircraft from bases on the far side of the Yalu river." He went on to say that his Government had agreed that, after consultation, "the General Officer Commanding should be permitted to attack those airfields from which the attacks were being launched." Mr Attlee concludes that it is clear that "there was no departure from the general policy of confining operations to the Korean theatre of war."

When the present Prime Minister made his "disclosure" in a form deliberately designed to misrepresent the facts, he can scarcely have hoped to be so successful as to get even *The Economist* to forget everything but his own version of the Labour Government's commitment.

You owe Mr Jay an apology. And, since the main basis of your argument has disappeared, you should withdraw your unworthy charge that the Labour Party, once it has been out of office, ceased to support the war against aggression in Korea.

The issue now is not the prosecution of this war, but the best way of securing peace in Korea and of preventing a general war in Asia. Because we strongly disagree with the Government on this issue it cannot fairly be argued, as you argue, that we failed to support the war up till the conclusion of the armistice.—Yours sincerely,

P. C. GORDON WALKER

House of Commons

[The point at issue is neither Sir Winston Churchill's gloss on the Morrison pledge nor Mr Attlee's, but what was actually contained in it, explicitly and by necessary implication. That has never been revealed; and until it has been we are unwilling to believe that any British Government would be so silly as to set limits on the military action it might take in hypothetical circum-

stances, or so short-sighted as to ignore the wider consequences that might follow from bombs dropped on China.

Both the Labour Government and the Conservative Government have hoped that the fighting would be confined to Korea. Both have had to face the possibility that, if the other side extended its aggression, such a restriction might not continue to be possible. There is no real difference between the two positions in the Far East; the only differences are in the state of politics at home.

Why does Mr Gordon Walker say we accused the Labour Party of "ceasing to support the war against aggression in Korea"? We think the quality of their support has been affected by their domestic political preoccupations; but we have never thought they intended to withdraw it altogether. As the naval officer said of the War Office, "In their own queer way, they are on our side."—EDITOR.]

Suspect Soviet Statistics

SIR—While what you say of the crudity and exaggeration of Communist statistics is undoubtedly right, I cannot insist too much that it gives no ground for complacency. Deflate them how we will, these statistics continue to show a rate of growth of industrial production permanently and considerably greater than that ever achieved by any "capitalist" country. I have yet to read an expert, however sceptical or politically hostile, who proves the contrary.

The study of the Soviet economy—if not of other Communist economies—has gone by now a very long way. We may regard the above finding as incontrovertible, securely based on painstaking and dispassionate research. It is a great pity that the primary source-book, *Soviet Economic Growth* (ed. A. Bergson, Row-Peterson, Illinois, 1953), has found no mention in your columns. I do not hesitate to say that it is the most important work on economics since Keynes' General Theory: not, I hasten to add, for any originality or profundity of thought, but simply because it presents facts that must surely, as their consequences are absorbed, bring about as great a revolution in our economic attitudes as ever did Lord Keynes.

I am not the coryphaeus of this revolution, and am quite in the dark as to the form it will take. But the consequences for home and foreign politics are easier to adumbrate: how, for instance, will Frenchmen vote in 1970, if no one denies that Bulgarians are better off than they? "Economic intelligence on these matters," you say, "such as it is, seems to clash with political judgment." The economic intelligence is clear enough, but I wonder what you can possibly mean by "political judgment." On what evidence

THE ECONOMIST, SEPTEMBER 19, 1953

is it based? Or is perhaps politics an *a priori* science and our wishes the fathers of its judgments?—Yours faithfully,
P. J. D. WILES
New College, Oxford

[It is a reasonable political judgment that serious social and economic difficulties have revealed themselves in the Soviet Union and Eastern Europe since Stalin's death; but the evidence is not of the kind that the economist would call reliable intelligence. Indeed, it conflicts at many points with the economic statistics and plans that are published.—EDITOR.]

Broadcasting Finance

SIR—In your comment last week you were surely being something less than ingenious. You wrote "If it [the BBC] is really so unable to balance expenditure against present income . . . there is still no reason to take a tragic view of the Corporation's finances." And you go on to point out "there would be little difficulty in raising the licence fee." While certainly it is true that at present prices there is only one bargain better than a sound licence (and that is a TV licence) it is scarcely fair to neglect the fact that licence fees are controlled by the Government. The BBC is perhaps understandably doubtful of the upshot of any plea to the present Government to increase licence fees. Such a plea is much more likely to be taken as an argument for commercialising. So too, when commercial TV is established, the fact that it must cater first, last, and all the time for the largest common denominator of public taste will be taken as a reason for further Exchequer raiding of the licence fees of an institution failing "to give the public what it wants."—Yours faithfully,

ANTONY FLEW

University of Aberdeen

Firm Hand in Pakistan

SIR—I would add to your terse comment on Mr Fazuri's letter in your issue for August 29th that he lacks a sense of proportion.

The Qadianis, whom Mr Fazuri describes as "a dangerous group . . . who conspire to establish a state within the state" number no more than half a million. Their main sin in the eyes of religious groups in Pakistan is that they believe in Mirza Ghulam Ahmad as a Prophet after Muhammad. Surely the Qadianis can be allowed to enjoy this belief in peace, and need not be "crushed by confiscating their properties, etc., and indiscriminate arrests and detentions," a course which Mr Fazuri abhors but which, ironically enough, his movement (the Jamaat-e-Islami) has persistently advocated against the Qadianis.

Pakistan is on the threshold of an era of progress and development. It would be a great pity if she were deflected from her path and the energy of her people wasted by religious leaders whipping up religious hysteria amongst the uneducated masses.—Yours faithfully,

MUSA E. MAZZAWI

Wembley, Middlesex

Books & Publications

In Defence of Monopoly

THE BBC FROM WITHIN.

By Lord Simon of Wythenshawe.

Gollancz. 360 pages. 16s.

IN all the controversy about the Government's intention of ending the BBC's monopoly in broadcasting and introducing commercial television, the arguments used by both opponents and supporters of the scheme have been curiously lacking in substance. The debates have turned on generalities about taste and monopoly, freedom and popular culture.

The reason for this degree of abstraction may well have been the lack of any general handbook giving the facts and figures about British broadcasting and the systems in other countries. Few people could wade through the monumental report of the Beveridge committee on the BBC or afford time to sort out its massive evidence. Today, however, there is no reason for either side to be so lacking in factual arguments. Lord Simon of Wythenshawe, who for five years was chairman of the BBC, has produced a very clear and thorough guidebook both to the British system of broadcasting and to the methods employed in the United States and the Commonwealth. Particularly in those sections dealing with the actual administration of the BBC, he gives the reader information that is probably not available anywhere else.

Although it is written in the terse style of a handbook, Lord Simon's study does not only provide facts. It pleads a case as well. The author is a convinced advocate of a continuance of the BBC monopoly, and the basis of his conviction is that, since broadcasting is one of the great forces transforming the modern mass electorate into a responsible democratic community, it cannot be left to the exploitation of mass taste at a low level which, he believes, is the inevitable result of commercial broadcasting.

This attitude had no *a priori* basis in Lord Simon's mind. Those who knew him in his early days as chairman will recall how resolutely he preserved his critical sense and how often he troubled zealous BBC officials by his "open mind" on the question of commercial radio. His conversion to the BBC monopoly has sprung in the first place from his intimate knowledge of the BBC. In spite of his continued criticism of what seems to him its over-centralised administration, the excessive power of its Directors-General and a certain timidity and complacency in its general tone, he has come to believe that it amply fulfils its function of enlightening, educating and entertaining.

But a more decisive influence was undoubtedly his study of American methods. It was his visit paid to the United States in 1948 that finally settled his convictions. His impression of the American system was of an immensely expensive and often wasteful business, giving to an overwhelming extent nothing but cheap entertainment. Timidity in comment was another bane; he quotes the American radio critic John Crosby: "Virtually everything from pregnancy to freedom of religion is considered a controversial subject, leaving almost nothing except homicide as a fit subject to enter our homes." Worst of all, the violence of the programmes designed for children left Lord Simon appalled and convinced that, under any system whatsoever, television should be banned between 6 and 7.30 when harassed mothers are coaxing obstreperous children to bed.

Lord Simon defends the BBC monopoly on the ground that the safeguards represented by an alert press—to which the BBC is always "news"—the Governors, the advisory councils, external pressure groups and, in the last resort, Parliament are ample to ensure that no regimentation of opinion occurs. He describes in detail the efforts made within the BBC to ensure that all types of opinion are heard. Lord Simon recognises that complete monopoly as in Britain or complete commercialisation as in the United States are not exhaustive alternatives. In a valuable chapter, he describes the little-known mixed systems of Canada, Australia, New Zealand and South Africa. But in each case, he argues that commercial broadcasting draws audiences away to light entertainment and leaves the public systems with no means of educating the people as a whole to wider and more serious tastes.

Lord Simon seems to consider that competition between public corporations would be the least dangerous method of breaking the monopoly, and the least likely to debase public standards. But on commercial broadcasting, his verdict is emphatic. Instead of acting as a creative force in democratic society, he thinks it is one more instrument of inertia and passivity.

Criteria of Loyalty

THE FEDERAL LOYALTY SECURITY PROGRAM.

By Eleanor Bontecou.

Cornell University Press (London: Geoffrey Cumberlege). 377 pages. 32s. 6d.

SO much has been written hysterically about America's anti-Communist hysteria that no book could be more wel-

come than this scholarly, sensible and well-written study of the United States Government's attempts to protect itself from betrayal from within the ranks of its own servants. Miss Bontecou, a member of the New York Bar, explains the successive attempts to define the danger, and shows how procedures were tightened under public pressure as the cold war developed. In 1951, "reasonable grounds for belief" in the disloyalty of a civil servant were replaced by "a reasonable doubt as to" his loyalty as grounds for his dismissal.

But the question that must haunt a conscientious member of a loyalty board is what constitutes a reasonable doubt. Is the only loyal man he who has never joined an organisation that now, or at any time hereafter, may be named as subversive by the Attorney General? If a man joined the Washington Bookshop to get a discount, the International Workers' Order to get a pension, the Abraham Lincoln Brigade in the nineteen-thirties because he thought Fascist victories in Spain bad for the United States, or the American Council on Soviet Relations in the nineteen-forties because he thought Russian victories good for it, is his loyalty necessarily suspect? Perhaps he was part of the Communist infiltration that undoubtedly captured these organisations; perhaps he was not. Evidence supplied by the Federal Bureau of Investigation is raw and unassessed; the witness is often anonymous, the board has no subpoena power, there is no opportunity of exposing malice and misconception. Miss Bontecou found little evidence of deliberate witch-hunting: most of the fumbling and occasional inhumanity in the operation of the loyalty boards stem from the sheer impossibility of finding a single piece of litmus paper with which to test a man's whole life for loyal intentions. It is hardly surprising that, when given the chance, many boards shift gratefully from the dilemmas of loyalty to the wider, yet less perplexing ground of security as a reason for their doubts, and since this book was written, the new Administration has concentrated attention on security as offering more "objective" standards. Although this change has made Miss Bontecou's account out of date in a few details, the basic problems remain. Habitual drunkards, drug addicts and sexual perverts are obviously security risks; when it comes to deciding whether a man has "associated over a period of years" with Communists the new boards will again be on shifting ground.

In her last chapter, Miss Bontecou examines the British way of dealing with a similar problem. The American civil servant whose loyalty is in question has many more safeguards of a quasi-legal kind than his British counterpart. But on the other hand, in the United States neither private vigilantism nor the government seems prepared to treat a favourable verdict as final, and the happy solution has never been found of setting suspect defence officials to the guarding of ancient monuments.

Disintegration of Europe

DOCUMENTS ON GERMAN FOREIGN POLICY, 1918-45. Series D. Volume V. HMSO. 977 pages. 25s.

THE publication of this volume of the "Documents on German Foreign Policy" rounds off the picture of international politics as seen from the Wilhelmstrasse between the autumn of 1937 (when Mussolini visited Berlin) and the occupation of Prague in March, 1939. Despite the thickness of the volumes (containing more than 3,500 documents in all) and the assiduousness of the editors, it is not a complete picture. Thus, the important part played by Nazi Party agencies abroad is only occasionally reflected in the more conventional archives of the German Foreign Office. Hitler alone saw the full pattern of German policy, and he was not given to confidences.

Nevertheless, this tripartite enterprise, with its combination of British, American and French editors, has already more than justified itself by the wealth of information it has brought to light on the foreign policy of Germany and of the other European States. It is to be hoped that the three governments will carry through this major historical project to its full conclusion and that some of the earlier series dealing with the period before Hitler will soon appear.

At first sight the present volume serves to fill in the gaps left in documenting the major events of the Anschluss, the disruption of Czechoslovakia and the Spanish Civil War in the preceding volumes. This is a misleading impression. The three principal chapters all contain material of great interest in its own right. The first follows the course of German-Polish relations in the eighteen months before Prague and serves as a prelude to the dispute that finally led to war. The second is concerned with the relations of Germany and the states that lay within its field of power to the south-east—Hungary, Yugoslavia, Rumania and Bulgaria. It illustrates not only the effectiveness of the pressure Germany exercised upon their governments, but the uneasy manoeuvres of each of them to preserve some remnant of independence while standing well with the new masters of Central Europe and also their sly attempts to exploit German patronage to their own advantage. In the third chapter the same story is repeated in the case of the Baltic states.

The theme throughout is the use by Germany of its combined political and economic strength to exploit the fears and weaknesses of the smaller powers in face of the failure of the Western powers to come to the aid of Austria and Czechoslovakia. It is a study in the disintegration of Europe skilfully exploited by the menacing technique of the blackmailer; a telling illustration of the consequences of that mixture of blindness, shallow optimism and fear which the statesmen of the day dignified with the name of appeasement.

June to August 1939

DOCUMENTS ON BRITISH FOREIGN POLICY, 1919-1939, Third Series, Vol. VI. HMSO. 882 pages. 52s. 6d.

THE latest volume of the Foreign Office Documents covers the period from June 8th to August 14, 1939. Its pages are devoted for the most part to the Anglo-French negotiations with Russia. These are fully dealt with for the first time, at least in their tactical and diplomatic aspects, up to the opening of the military discussions.

The acceptance by Great Britain and France of the Russian demand for military conversations, before a political agreement had been reached, was the last of the many concessions to the Soviet Government that marked this phase of the negotiations. "His Majesty's Government," wrote the Foreign Office on July 27, 1939, summing up what the volume has to say on this subject,

have given way to the Soviet Government as regards (1) covering the case of the Baltic States, (2) not specifically covering the Netherlands and Switzerland (3) providing . . . for the case of indirect aggression, (4) binding the signatories not to conclude a separate armistice of peace, (5) including the definition of indirect aggression within the agreement itself. The Soviet Government on their part have made no concessions of substance.

On the question why the Western powers were in this weak position, it was not to be expected that the volume would add anything new at this stage of our knowledge and reflection. But it is confirmed in these pages that the British Government was at least aware of its weakness and of the reasons for it. And it is some comfort that, despite this fact, it was never tempted to depart from what, after the German occupation of Prague, had become its only course—in terms of eventual security no less than of immediate self-respect. "The Russians," wrote Mr. Strang from Moscow, "have . . . at least two alternative policies, namely the policy of isolation and the policy of accommodation with Germany." Great Britain had no alternative but to oppose further German aggression, with Russia's help if possible, without it if necessary; and no one any longer looked for any other way out.

The issue of peace or war thus lay with Germany, and another main topic of the volume is the increasing German menace to Poland, with the Danzig question at its centre. Other aspects of Anglo-German relations—the German denunciation of the Anglo-German Naval Agreement and, in appendices, the ineffectual activities of the Kordt brothers and of Mm. Dahlerus and Wenner-Gren—are also briefly dealt with.

The third subject of the volume is the British negotiations with Turkey which continued throughout the period and which, like those with Russia, were part of the attempt to build up a common front against expected German attack.

Latin America

COLOMBIA.

By W. O. Galbraith. Royal Institute of International Affairs. 140 pages. 13s. 6d.

CHILE.

By Gilbert J. Butland. Royal Institute of International Affairs. 128 pages. 12s. 6d.

CHATHAM HOUSE deserves to be encouraged in its present undertaking of a series of short studies of Latin American countries. Although the prices of these books may seem somewhat out of proportion to their brevity, the latter itself should count as a virtue. It is sadly fashionable to treat all the twenty republics south of the Rio Grande as a unit; the result, particularly in the United States, has been a flow of ponderous volumes, each of which tries to deal with the whole continent and fails to do justice to its parts.

The present series, while seeking to fill this void, has set itself a modest aim. Mr Galbraith's study of Colombia is typical in this respect. He has contrived to pack into his pages the essential outlines of Colombia's economy, geography, vital statistics and administration, and has done this difficult job well. Facts and figures are skilfully deployed to bring out such points as the early and remarkable development of airlines in this geographically fragmented country, and the interesting experiment in co-operation between government and foreign capital in the oil fields. Mr Galbraith's historical and political sections will provide the reader with a convincing explanation of this year's dramatic political events, although they were written before General Rojas Pinilla overthrew President Gomez. But the heart of the book is the all too brief chapter in which the Colombian, with his quick mind, his personal loyalties, his felicitous language and what he himself calls his "indigenous malice," is brought to life with sympathy and understanding.

Dr Butland's book on Chile was first published in 1951. This revised edition is able to take account of the abrupt political change involved in General Ibanez's recovery of the presidency in the 1952 elections. But, although a section is devoted to relations with Argentina, the reader is given no inkling of the new president's past or present relationship to General Perón. Indeed, throughout the historical and political sections of the book—in which, admittedly, much useful information is very concisely presented—there is a marked lack of analysis and explanation. Dr Butland takes us briskly through all the fantastications of Chile's geography and the problems of its economy, providing copious statistics and some very necessary maps. Nevertheless his competent but dry (and sometimes ungracefully written) study contains little to stimulate the interest of the general reader or to touch the imagination of the student.

THE ECONOMIST, SEPTEMBER 19, 1953



On the mid-day train to Paris

She is cutting up a salad for the children's lunch—but in her thoughts she is leaving Victoria en route for Paris and the autumn collections. As a matter of fact, there is a connection; her table is surfaced with WARERITE Plastics—the material used by British Railways in standard compartments, toilets, dining and sleeping cars. For making brighter living and lighter work in home, factory, office and school there is nothing to touch WARERITE. It is widely fitted to new furniture and can be used to resurface old furniture to make brighter homes everywhere. The growing popularity of WARERITE is just one of the many successes of the Bakelite organisation, whose pioneering efforts have been mainly responsible for making plastics a part of daily life.

Please write for booklet describing BAKELITE products.

**BAKELITE
VYBAK
WARERITE**

Regd. Trade Marks

Producers of Phenolic, Urea, Alkyd & Silicone Moulding Materials Laminated Sheet, Rod & Tube Glass Fibre & Asbestos Laminates Phenolic & Urea Resins

PLASTICS

Cements & Adhesives • Polyester Resins • Rigid & Flexible PVC Sheet • PVC Moulding & Extrusion Compounds • Decorative Laminated Plastics

BAKELITE LIMITED FIRST AND STILL FOREMOST

12-18 GROSVENOR GARDENS • LONDON SW1 • SLOane 0898 G126



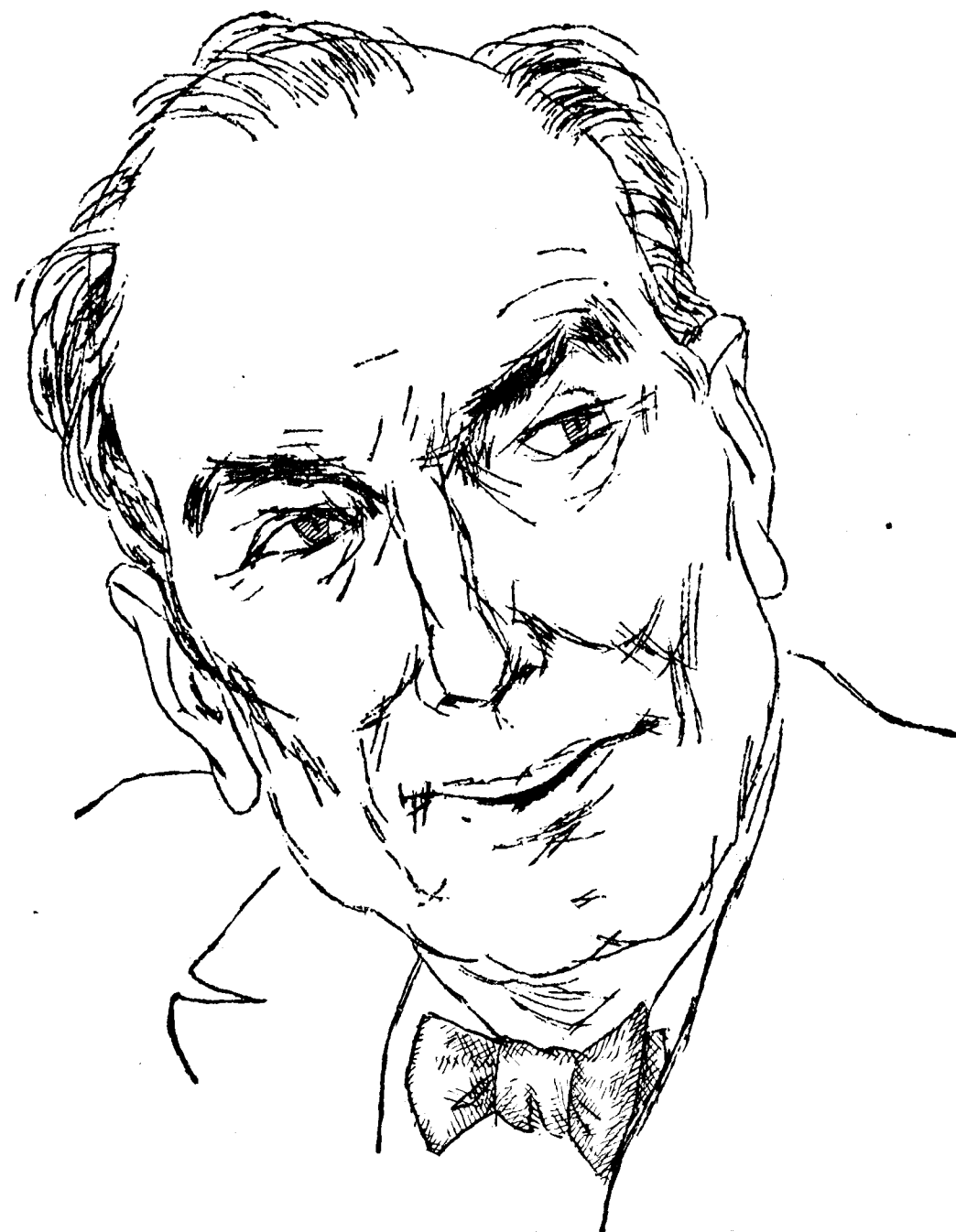
"The Ambassador" by BATTERSBY, in ferric grey, romany brown and fawn, forty shillings.

**OUTSTANDING VALUE
IN
LIFE ASSURANCE**



**EQUITY & LAW
LIFE ASSURANCE SOCIETY**

16, LINCOLN'S INN FIELDS, LONDON, W.C.1



"I think I'd like a White Horse
better than anything"

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.

Dropping the Plumber

Washington, DC

THE resignation of Mr Durkin, the Secretary of Labour, marks the frustration of President Eisenhower's original attempt to steer a middle course in his conduct of domestic, and particularly labour, affairs. Mr Durkin was unique in a Cabinet which was once described as consisting of "nine millionaires and a plumber." The president of the plumbers' and steamfitters' union of the American Federation of Labour, Mr Durkin is a Democrat who voted for Mr Stevenson last November. His selection, which Senator Taft called "incredible," was taken as evidence of the President's anxiety to wipe out the anti-labour reputation the Republicans had acquired, and build a trade union following for his Administration. Mr Durkin is not one of the most influential trade union leaders, and his appointment did not commit even the AFL to co-operate with the Republicans. But now that he is gone, the President may find it increasingly difficult to resist the conservative pressures in his own Cabinet which made it impossible for Mr Durkin to remain.

In his election campaign Mr Eisenhower promised to recommend amendments to the Taft-Hartley Labour Relations Act which would remove some of its injustices. Mr Durkin, once he had become Secretary of Labour, worked out, in consultation with White House advisers, members of Congress, and other members of the Cabinet, a series of nineteen amendments to the Act. It was Mr Durkin's understanding, though this is denied, that the President agreed to this programme, and had planned to send a message to Congress on July 31st recommending the alterations. But on that day Senator Taft died. On the same day there leaked out in some newspapers an outline of the proposed amendments. These articles made much of the fact that many "concessions" to the AFL would be recommended.

The death of Senator Taft threw the machinery of the White House out of gear for some hours and the work of completing the message to Congress was delayed. Meanwhile, the publication of the newspaper articles raised an alarm among conservative Republicans in Congress, who began to protest to the White House. Mr Nixon, the Vice-President, argued forcibly that it would be "political suicide" for the President to "appease" labour. As a result, the message was held up.

A major conflict then developed in the Cabinet, while President Eisenhower was on holiday in Colorado. The conservatives, led by Mr Nixon and the Secretary of Commerce, Mr Weeks, a Boston financier, threw their weight

against the proposed concessions to labour. When it became apparent to Mr Durkin that they had won over the President to their point of view and that there would be no new Republican labour policy for him to lay before the trade union conventions which meet this month and next, he resigned and returned to his union post.

This victory of the Republican right wing was a windfall for the Democrats as they gathered in Chicago to regroup their own badly divided forces and pick the ground on which to fight next year's congressional elections. Had the President supported Mr Durkin and submitted his labour programme to Congress at this time, much of that ground would have been cut from under the Democrats, and the AFL, whether its leaders liked the idea or not, would have been forced to voice its approval of the President's "progressive" labour policies. Mr Durkin's departure greatly weakens, if it does not end, any hope of associating the AFL with the Administration.

★

In fact, the labour programme worked out by Mr Durkin and the White House, which caused such alarm in the right wing of the Republican party, was not the surrender to the trade unions which the frightened conservatives imagined. Many of the changes in the Taft-Hartley Act suggested in the "lost message" of July 31st had been approved by the late Senator Taft. Nevertheless, they would have been welcome to the labour movement, and particularly so to the AFL. For example, they would have liberalised the Act's restrictions on "secondary picketing," which are keenly felt by the building trades unions of the AFL.

One proposal which particularly alarmed the conservatives involved the strange section of the Taft-Hartley Act which provides that when a state labour law and the federal labour law conflict, the more stringent of the two shall prevail. In other words, the federal labour law is supreme in cases involving interstate commerce, unless the state law covering the same subject is more repressive. Mr Durkin would have made the federal law superior in all cases. If this were done, at least thirteen states would no longer be able to forbid the union shop, which the Taft-Hartley Act permits. Under a union shop contract, workers need not be members of a trade union to secure a job, but they must join within a specified time.

The conservative forces which have prevented the President from sponsoring changes in the Taft-Hartley Act just



MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8, as fixed by the Scotch Whisky Association.

now may also succeed in stiffening its enforcement. On the National Labour Relations Board, the five-man agency which administers the Taft-Hartley Act, there are at present two members appointed by Mr Truman, two appointed by President Eisenhower, and one vacancy. There have been indications that the two members put on the board by President Eisenhower will try to tighten up their interpretation of the Taft-Hartley Act in a manner not to the liking of the trade unions, who appear before the board as litigants. But it will be the man chosen to fill the remaining vacancy on the board who will break the existing tie, and determine the board's attitude on the administration of the law.

This fifth seat on the National Labour Relations Board has remained empty because Mr Durkin objected officially to the man President Eisenhower had intended to nominate. He is Mr Lawrence Gooding, a member of the labour relations board of the State of Wisconsin. Mr Gooding is sponsored by Senator Wiley, of Wisconsin, the chairman of the Senate Foreign Relations Committee. Mr Durkin protested against the nomination because the trade unions in Wisconsin, both those affiliated to the AFL and to the Congress of Industrial Organisations, had bitterly assailed Mr Gooding as a man hostile to organised labour.

The President did not attempt to nominate Mr Gooding over the official opposition of the Secretary of Labour. But no other candidate was proposed, and pressure had been put on Mr Durkin to change his mind. Only the day before Mr Durkin resigned, he was approached by the Postmaster General, Mr Summerfield, who handles political matters for the Cabinet, and asked to withdraw his objection. Mr Durkin refused. But with his departure from the Cabinet, there remains no obstacle to the nomination of Mr Gooding to the strategic vacancy on the labour board, except, perhaps, the need to demonstrate that no anti-labour shift, such as the Democrats allege, has in fact taken place in the Administration.

California Without Warren

FROM A CORRESPONDENT IN SAN FRANCISCO

BY declaring that he will not seek a fourth term in 1954, California's Governor, Mr Earl Warren, has opened the way for political realignments in the state which promise to have national repercussions. Of most immediate interest is the question whether the subdued but real rivalry between the personal followers of Mr Nixon, who was one of the two Senators from California before he became Vice-President of the United States, and the official leaders of the Republican party in the state, Governor Warren and Senator Knowland, will erupt to a point where California's Democrats can make capital out of it. In view of the struggle for power now developing in California, Mr Warren's temperate announcement that "periodic change . . . sharpens the interest of our people in the election process" and "kindles new ambitions" seems a masterpiece of understatement.

At stake is the continuance of a very nearly model state administration run on bipartisan lines and reasonably adapted to California's phenomenal postwar growth of population—there are now 12 million inhabitants. The Governor's programme for better schools, roads and welfare

services has set a pattern for moderately progressive and solvent government, in spite of legislative setbacks. It has been possible for Mr Warren, a Republican in a state where the Democrats theoretically have a majority, to develop this programme because his bipartisan, technical approach to government has attracted the steady support of many of the state's Democratic and independent voters. The weakness and disunity of the local Democratic organisation has also favoured the Warren administration.

But California's Republicans are nearly as disunited. Not only are there the insurgent followers of Mr Nixon in Southern California, but also the Warren-hating, isolationist supporters of the Lieutenant Governor, Mr Goodwin Knight, who include leading lights of the California Medical Association and important oil interests. Then, too, there is a more independent and predominantly internationalist wing of the party, typified by such commanding figures as Mr Roger Lapham, a former mayor of San Francisco and head of the Economic Co-operation Administration's mission to Greece, and Mr George Cameron, publisher of the influential *San Francisco Chronicle*. As the heir-apparent to the party leadership of Governor Warren, Senator Knowland must now try to weld these diverse elements together. He can hardly succeed without the help of Mr Nixon's politically aggressive and well-financed followers. This group of young men has introduced into state politics a new brand of public relations professionalism which, it is boasted, has never lost an election.

To enlist their co-operation, Mr Knowland will have to make concessions, particularly in the touchy matter of patronage. Up to now all of the Republicans from California who have been given positions in the Eisenhower Administration have been hand-picked by Mr Knowland, with the help of Senator Thomas Kuchel, the able former State Controller, who was appointed by Mr Warren to fill Mr Nixon's vacant Senate seat. This has naturally strengthened Senator Knowland's hand, both in Washington and in California itself, but it has also deepened the split between north and south in the state—Mr Knowland comes from near San Francisco and Mr Nixon from near Los Angeles—which was so evident at the Republican National Convention in 1952. Then Mr Nixon's open preference for General Eisenhower undermined the California delegation's pledged support of Mr Warren for the Republican presidential candidacy. It is now assumed that one of Mr Warren's motives in announcing his withdrawal from next year's gubernatorial race at this early stage is to give Senator Knowland an opportunity of mending this breach while he is at home during the present congressional recess. Mr Knowland will presumably attempt to regroup the Republican forces and unite them behind a strong candidate in order to meet the expected Democratic bid for control of the state.

★

Thus in California as in the United States Senate, Mr Knowland seems fated to play a crucial role as the successor to a powerful and seasoned political personality. And just as Republicans in Washington look upon his sudden elevation to be Senate majority leader in Mr Taft's place with mixed feelings and expectations, so the followers of Governor Warren are concerned about the quality of the leadership which Mr Knowland will offer the state. This concern comes from the realisation that Mr Warren's unique

influence is the result of a generous and far-sighted political philosophy and a warm and amiable personality. Fundamentally a conservative, he has moved with the times to lead a moderate, cautious progressivism in the party, and has gained in the process a large personal following. Mr Warren is a good listener and when in doubt he seeks expert advice. Mr Knowland, on the other hand, makes a point of being aloof. He rarely asks advice and rarely listens to anyone. He too is a conservative, a man of good will, dedicated to what he believes best for the country, and there are no doubts about his integrity. But there are doubts about his judgment, and of his ability to unbend sufficiently on his home territory to heed the advice he will need if he is to hold together the factions in his party.

In particular, Mr Knowland's consuming preoccupation with American policy in the Far East and his pretensions to speak for all of California on this issue, without reference to local opinion, have worried his party associates and alienated many independent voters. It is significant that this has been an issue between him and Governor Warren, who has made a point of acquainting himself with the basic complexities in postwar Asia. Mr Warren has never endorsed any of Mr Knowland's extreme positions, ranging from a demand for impeachment of Mr Acheson in 1949 to his recent declaration that the United States should withdraw from the United Nations if it admits Red China. By contrast, Mr Warren has warned Americans that they would be involved in a war between Chinese Nationalists and Communists, and he has repeatedly expressed his belief in collective security through the United Nations. Mr Warren's bipartisanism and firm internationalist position have helped to win him the continued support of such important independent papers as those of the McClatchey chain in California, which have attacked Mr Knowland's views on these subjects and can hardly be expected to stop doing so now.

★

Senator Knowland's fundamentalist attitude on Asian affairs, his easy simplifications, his demand for Japanese rearmament and his encouragement for the ambitions of Dr Syngman Rhee and General Chiang Kai-shek undoubtedly won him considerable support when his stand seemed to constitute an attack on the Truman-Acheson regime. But there are signs that his adamant position may become embarrassing to the Eisenhower Administration and to California as well. This is indicated by a recent despatch from Washington outlining a plan to "fill the legislative gap left by the death of Senator Robert A. Taft." The plan, evolved under the guidance of the Vice-President, Mr Nixon, is to call on such Eisenhower supporters as Senators Ives of New York, Duff of Pennsylvania, and Smith of New Jersey to act as Administration "spokesmen" on labour, military and foreign affairs respectively. Other such spokesmen in special fields will be designated, according to Mr Nixon. He stresses that the plan is not aimed at undermining the influence of Senator Knowland as Senate majority leader, but Californians cannot help reading between the lines of this news.

They realise that the Vice-President's talents as a "fixer" and behind-the-scenes strategist are being used to improve the chances of the President's legislative programme. But they realise, too, that Mr Nixon's role in this plan places him in an extremely delicate relationship with Mr Know-

land and one which seems likely to accentuate the rivalry between these two men, both of whom are thought to have aspirations to the Presidency. It gives Mr Nixon an influence which Mr Knowland cannot ignore if he is to consolidate Republican forces in California. It may also, however, make Mr Knowland understand that the succession to power, both in Washington and in California, will be determined by ability to shift successfully from chronic opposition to responsible leadership.

American Notes

Stevenson on Trial

MR STEVENSON seems to have passed, with flying colours, the first test of whether he is to exercise effective leadership of the Democratic party. His report from the world, which was broadcast and televised from the Chicago Opera House, was a thoughtful and moving plea for the United States never to shut the door to the conference room, to seize the present opportunity for a new approach to disarmament, and to avoid the appearance of inflexibility and surrender to McCarthyism which disturbs its friends. Mr Stevenson is most at home at such a lofty level, but it is a trifle rarified for the practical politicians. However, many of the bosses who came to Chicago to bury Stevenson seem to have stayed behind to praise him.

This is only a preliminary canter. Loyalty to a defeated leader is the exception, not the rule, in American politics. If Mr Stevenson wishes to be the candidate, rather than merely the conscience, of his party, he has a long, hard road ahead. At the moment there are no serious competitors in sight, but Mr Stevenson must solve the problem of how to remain in the limelight without benefit of any elected office. It is suggested that he may spend some months travelling around the United States, becoming acquainted with the local Democratic organisations. If he does, there will not be much doubt that he is willing to run again.

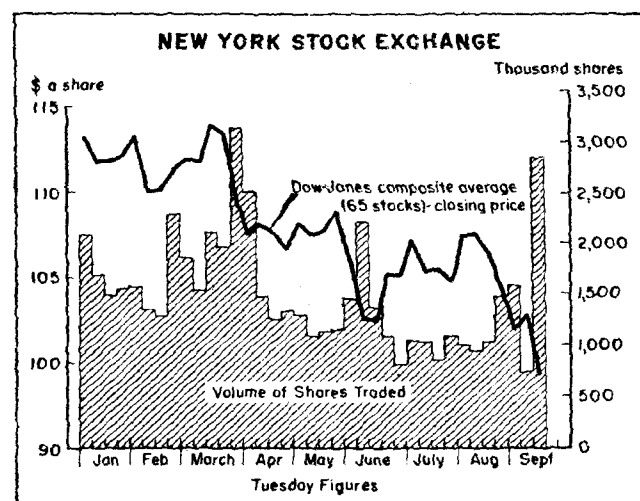
For the party, however, there are more immediate problems. The deficit from the last campaign is not yet cleared though, at \$100 a plate, the Chicago banquet raised enough to reduce it from \$250,000 to \$150,000. The South remains in a state of sullen rebellion. Of eleven southern Governors, only four appeared at Chicago, and of its twenty-two Senators, only seven, though these were the brightest and the best. It is an evidence of the inexperience of Mr Mitchele, Mr Stevenson's campaign manager, against whose chairmanship of the National Committee there are many grumbings, that he would have liked to drag into the open the "loyalty pledge" exacted from the South at the last convention, which still causes so much resentment. Here the wiser counsels of Mr Rayburn, the party's leader in the House, prevailed: the whole question was postponed, if not buried, by referring it to committee. The convention in

1956 will have to decide whether to dig up such a bone of contention.

It is only in issues to fight next year's elections that the Democrats are rich. Mr Truman, joyfully back in controversial harness after months of loyal silence, ticked them off: the fall in farm incomes, the cuts in the defence budget just as the Soviet Union has let off its first hydrogen explosion, dearer money, the reversal of Democratic plans to expand public production of electricity, and "government by postponement"—a reference to the Administration's fondness for turning over all difficult questions of policy, such as the tariff, to advisory commissions.

Wall Street Looks Ahead

THE shivers that attacked the New York stock market last week came not from delayed shock at the Korean truce but from the announcement, which greeted businessmen returning from their holidays, that government spending was about to decline and that the cash budget was almost balanced. This definite assurance that little or no further inflationary stimulus was to be expected was accompanied by a series of slightly pessimistic reports, from the Department of Commerce and elsewhere, on construction activity, steel output, inventory accumulation,



and durable goods sales and so on. None of these reports was serious in itself, but the cumulative effect was to make it look as if the boom was really about to cloud over at last.

The reaction of the stock market makes it more probable that the clouds will actually materialise. Industrialists who have already decided to spend slightly less on new plant and equipment in the fourth quarter of this year than they did in the same period of last year are now likely to think again and may reduce next year's spending still further. And the wholesale and retail traders whose buying season is about to begin may view their heavy inventories with more alarm and place their new orders with more caution than they would otherwise have done.

The economists insist that there is no reason for Wall Street to have fears about the future, that the only serious factor in the economic outlook is the decline in farm income and that even that will be checked before long. Expansionist

forces may be weaker than they were but that does not mean that depression is certain. Particular satisfaction is shown in the record high level of employment and the record low level of unemployment in August, for as long as earnings are steady there is unlikely to be any substantial falling off in consumer demand.

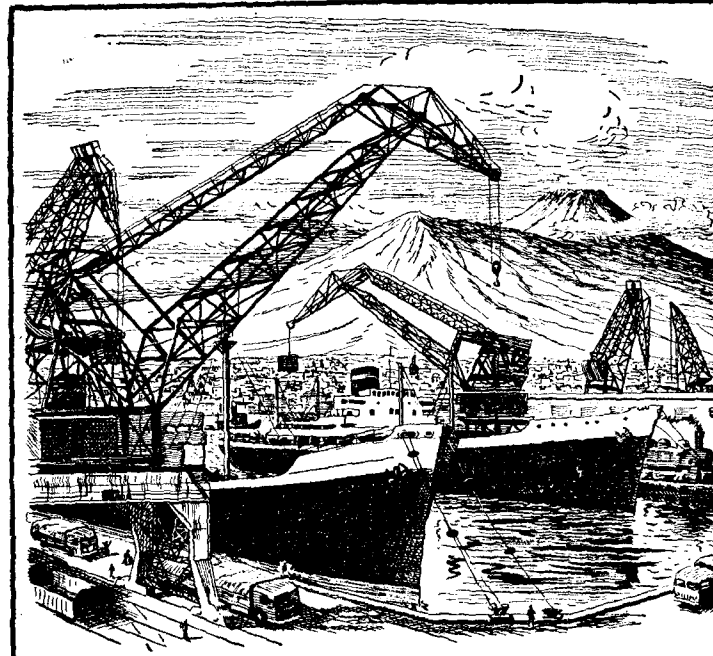
But in fact there have recently been a number of minor lay-offs and reductions in working hours, resulting from cut-backs in military contracts and from fewer orders for certain types of durable goods. To send the White House quick reports on such lay-offs and reductions, which are regarded there as one of the most significant indications of the course of the economy, is the chief function of the economic experts who are being enlisted voluntarily all across the country. The President's economic advisers—there is still one vacancy on the three-man Council—and his Advisory Board on Economic Growth and Stability are drawing up a plan both of what the government can, and of what it should, do if these reports show that recession is imminent. There is no doubt of the Administration's willingness to act quickly if necessary. Whether it will decide to act quickly enough is another matter, but it will certainly be spurred on, if the recession materialises in the next few months, by the knowledge that 1954 is an election year.

Sources of Defence

THE Secretary of Defence's preference for single sources of production for individual military items recently appears to have found expression in the allocation of several important contracts. In the case of army lorries only two firms, one of them the General Motors Corporation, are being left in the field, and in the case of medium tanks one of the three present manufacturers was ruled out and the remaining two, the Chrysler and General Motors Corporations, were invited to bid against each other for a \$200 million contract. As the result of winning the bid the General Motors Corporation, which already makes all light tanks, will from April onwards be the sole manufacturer of tanks in the country, unless anything comes of the idea of a new heavy tank to be developed by the Chrysler company.

Although Mr Wilson's slogan that what is good for General Motors is good for the country may be true in this case as far as saving money is concerned, his critics have pointed to the recent disastrous fire at the General Motors plant at Livonia, which was the "single source" of a particular type of transmission gear for automobiles, as an example of what could happen to key military items. It was partly in order to prevent the defence programme being vulnerable in this way that the Truman Administration worked on the principle of the "broad mobilisation base." According to this, defence contracts were to be spread among as many firms as possible, thus giving them the experience and the reserve capacity which would enable them to switch rapidly into full production in the event of an emergency.

During his first few weeks at the Department of Defence, when he was looking around for opportunities of effecting major economies, Mr Wilson created much dismay by giving the impression that he regarded the principle of the broad base as wasteful. Later he explained that all he



OVERSEAS BRANCHES: London • Manila • Tokyo • Yokohama
Kobe • Osaka • Bangkok • Guam

REPRESENTATIVES: New York • Mexico City • Milan • Paris
Zurich • Correspondents throughout the world

BANK OF AMERICA (INTERNATIONAL), New York, a wholly
owned subsidiary; overseas branch, Duesseldorf

Serving Commerce Around the World

Bank of America offers you credit facilities and direct representation in the world's great trade centers...plus up-to-the-minute information collected and evaluated by our men traveling in all parts of the world. For information, write Bank of America, International Banking Department, 300 Montgomery Street, San Francisco, California... or our branch or representative nearest you.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

SAN FRANCISCO • LOS ANGELES

ON YOUR TRIP TO
NEW YORK
YOU CAN FLY TO

Bermuda

AT NO EXTRA COST!

Something extra special lies ahead of you on your flight to New York. Your first-class fare, via any international airline, can include a trip to Bermuda—and at no extra cost.

When business is over, refresh yourself with a delightful week-end in Bermuda. Stay longer, if you wish, for Bermuda is in the sterling area. Bermuda's less than three hours from New York, and there are frequent daily flights.

And there's nothing like Bermuda for sunning on pink sandy beaches... for leisurely living far from bustling routine... for rest and utter contentment.

For Complete Information See Your Travel Agent or
BERMUDA GOVERNMENT INFORMATION OFFICE
Regent House, 89 Kingsway, London, W. C. 2

**ONE OF THE
OLDEST NAMES
IN
INTERNATIONAL
BANKING**



CHARTERED 1799

**Bank of the
Manhattan Company**

40 WALL STREET • NEW YORK, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

was aiming at was to prevent the programme becoming "diffuse." Since then every new move concerning defence production has been scrutinised for evidence that Mr Wilson is reverting to his original ideas.

In the case of the tanks and lorries the Army has claimed that the decision was its alone, and it is unlikely that Mr Wilson intervened directly, though from his point of view it was perhaps rather unfortunate that the main beneficiary in each case should happen to be the firm of which he had formerly been, president. But whichever came first, the intention to concentrate or the intention to economise, the effect is the same and it was the Defence Department's decision to cut down the combined monthly expenditure on tanks and lorries from \$160 million to a mere \$50 million by next March that forced the Army to act as "there just is not enough work to go round." It has, however, been arranged that when the Chrysler company goes out of production its machine tools will be put into store, so that tank output could start again quickly in a crisis.

Natural Gas Rises

NATURAL gas, the cheap and efficient fuel which over 20 million Americans use to heat their homes and cook their meals, is moving out of the bargain basement. The Federal Power Commission began last month to dispose of claims for rate increases totalling over \$170 million a year, and in its first two decisions displayed a new generosity. The United Fuel Gas Company was allowed to raise its charges by at least \$10 million a year, and the Texas Gas Transmission Company by nearly \$8.5 million. The permissible rates of return, to the industry's great satisfaction, were set at 6½ per cent and 6 per cent. Last year, Mr Truman's FPC tried to reduce the rate from the traditional 6 per cent to 5½ per cent and even 5¼ per cent.

The two new members of the commission whom Mr Eisenhower has been able to appoint were expected to be sympathetic to the pipelines' gurgles of distress. But the Administration, which is so often accused by the Democrats of favouring big business at the consumers' expense, no doubt was glad that their votes were not needed. They were not even present when two members of the old commission reversed their stand in the pipelines' favour.

The natural gas companies argued that the lower rate made it difficult to attract the capital needed by one of the country's fastest growing industries. Only one great market is still without natural gas—the Pacific Northwest, which both Canadian and American firms are burning to serve, once the FPC has decided between them. The New England market has finally been divided, the Texas Gas Transmission Company having agreed to share it if the FPC would allow it to export gas to Canada. But virtually all the major pipeline companies are busy extending their networks to supply new customers, who are expected to increase by about a million a year until 1956.

In addition to their need for capital, the pipeline companies justify their claims by pointing to the soaring price they must pay for natural gas. It now costs them 15 cents for a thousand cubic feet, compared with 3 cents in 1946. Many consumers consider this should bring a blush to the commission's cheek. Mr Truman courageously vetoed the Kerr Bill which would have exempted from federal regula-

tion the price which the independent producers charge the pipelines. But the commission itself then caved in and declared itself without power to set such prices. It has now been sharply contradicted by the US Court of Appeals. The cities and states which fought the case in the interests of their consumers no doubt will be forced to fight it again before the Supreme Court. Unfortunately, even if they are successful there, the gas and oil interests may persuade Congress to pass another Bill exempting them from control. It is far from certain that Mr Eisenhower would follow Mr Truman's example and veto it.

SHORTER NOTES

The President has wound up the Psychological Strategy Board, now that he has been convinced by Mr William Jackson's committee that there is no such thing as psychological strategy, but only strategy put to good effect. To make sure that the maximum effect is obtained from the decisions made by the National Security Council, a new Operations Co-ordinating Board is to work under General Bedell Smith, the Under Secretary of State. The other members are the Deputy Secretary of Defence, the Directors of the Central Intelligence Agency and the Foreign Operations Administration, and the presidential assistant, Mr C. D. Jackson.

The re-use of coloured spectacles in plastic frames, given out to patrons of cinema houses showing 3-D films, has been banned by the Chicago Board of Health, which reported an "almost epidemic" increase in eye infections in the city. The board said that the methods used to sterilise the spectacles before issuing them again were ineffective; the 14 theatres showing 3-D films must now use disposable spectacles with cardboard frames.

A decline in the demand for motor-car tyres and competition from natural rubber, as a result of the fall in price, have together made the government decide to close its largest synthetic rubber plant in West Virginia this month. This plant has been operating below its capacity of 90,000 tons a year for some time, and stocks of GR-S synthetic rubber are nearly at the maximum level permitted by the Budget Bureau. The government also plans to reduce production from its other synthetic rubber facilities during the fourth quarter so that total output for those three months may be only about 120,000 tons, compared with 150,000 tons in the same quarter of 1952, and sales of 175,000 tons in the first three months of 1953.

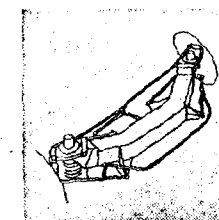
In spite of suggestions that it would do better to stay outside the union, where it might be eligible for foreign aid and ineligible for federal taxes, the State of Ohio was officially declared to be one of the United States of America last month, when an oversight of 150 years ago was corrected. Special legislation has been enacted because in 1803, when Ohio's boundaries and constitution were approved, Congress forgot to admit it formally to the Union. However, no one seems seriously to be questioning the legitimacy of the chief executives who came from the state known as "the Mother of Presidents."

The Pedigree Car with the Jet-Bred Engine

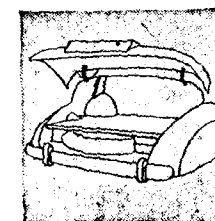
The new Armstrong Siddeley Sapphire has the performance of a very fast car—the appearance and appointments of a luxury carriage.

The engine is a new 120 B.H.P. 'square type'—built on the same production lines as the Sapphire jet that powers the world's fastest aeroplanes. Top speed is 95 m.p.h., acceleration is very responsive, yet fuel consumption is amazingly low—over 20 m.p.g.! Special anti-roll bars are fitted front and rear to give far faster, and safer cornering. Gears may be either synchromesh or new "Selectric". Both give ready racing changes. Externally, the lines of the coachwork are sweeping and elegant. Inside, the fittings are quietly luxurious... with deep-piled carpets, polished walnut panelling, finely grained hide upholstery.

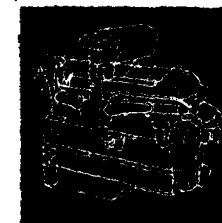
The price is £1,215 plus £507 P.T., total £1,722. "Selectric" gearbox £43 extra. You will find the Sapphire at your local showroom, ready for your inspection and your demonstration drive. After you have driven it you too will agree "There is no finer car on the road today than the Armstrong Siddeley Sapphire".



Anti-roll bars... for smooth cornering.



Extra large boot... holds all family's luggage.



New 120 B.H.P. "Square-type" engine... top speed 95 m.p.h. — amazing fuel economy, over 20 m.p.g.



ARMSTRONG SIDDELEY

Sapphire

MEMBER OF THE HAWKER SIDDELEY GROUP / PIONEER...AND WORLD LEADER

The World Overseas

Assembly and Agenda

FROM OUR UNITED NATIONS CORRESPONDENT

THE Soviet group's insistence on fending off the United Nations Assembly's usual opening procedure for two hours, and in that period trying to get Communist China seated before the Assembly had even chosen its new president, may or may not have been a tactical error. But it was an unusually clear demonstration of the strains and stresses to which the mechanism of Uno is now subjected by the widening gulf between theory and reality. The UN Assembly was originally designed to be a full dress meeting of the nations, coming together for perhaps two months every year to ponder the problems referred to it by its specialist councils, the Security, Trusteeship, and Economic and Social Council. In essence this was an eighteenth-century concept, a parliament of the world in the French rather than the English sense, a debating society in which everything would be discussed and very little decided. The first two or three meetings followed that plan, but then reality began to take hold.

By 1952 the needs of the faster-moving twentieth century had distorted the Assembly's pattern and strained its powers. The seventh session, which has only just ended, met not for two months, but at intervals over ten months, during which time the Assembly showed an increasing tendency to burst the seams of its eighteenth-century small clothes and conduct itself like a twentieth-century meeting of the rank and file. Ostensibly the prescribed forms were still reserved, but in fact the Assembly devoted its major effort to a problem—the Korean question—in which the appropriate council had by its own rules been rendered unable to act. The Assembly's deliberations thus took on an importance and an urgency which had hardly been contemplated in the original design, and for which its structure was ill-prepared. The resulting fatigue, frustration and sentiment showed themselves both in the peevish temper of the August meetings and in the speed with which delegates fled to fish in Canada or sail off Maine so as to free their minds for the eighth session.

How much the eighth session may suffer from the acrid smoke left behind in the big glasshouse by its predecessor remains to be seen. It is true that only the political committee was technically involved in the August struggle, but every member nation belongs to that committee, and all of them must sit in plenary as judges of their actions when acting as members of the political committee. Thus, though the delegations could be smaller in August than in October, the strain on responsible men was heavy.

That this strain showed itself most sharply in the much advertised British-American split is perhaps more fortunate than it looked at the time. Not only did the public begin to worry, and the press to point out that only the Soviet Union could gain from such a quarrel, but even the principals themselves benefited in an indirect way. There is evidence that the vigour with which the difficult British position was defended has strengthened Britain's prestige in the Assembly, while the Americans, who got most of what they wanted, learned some salutary lessons from the cost of the forced victory. The agreement between the two countries to oppose Russian attempts to seat Communist China before the New Year was the first fruit of these mutual lessons. Perhaps the Assembly's approval of that course was the second.

The episode has left behind problems for the eighth session which will echo in corridors but do not appear on the formal agenda. Thus far, that agenda shows little that is unexpected. A dozen items considered in 1952 have disappeared, to be replaced with a dozen more or less new ones boiled up out of council meetings and presented for Assembly action. Some of these are important; others represent merely the weary acquiescence of delegates in minority energy on behalf of a weak idea.

Korea, Morocco, Tunisia—all the political sore spots await debate in the political committees. Burma is there, having made its first polite moan against China last spring; so is South Africa, which not only found a Uno resolution about its treatment of people of Indian origin "unconstitutional," but even refused to recognise a Uno committee; so is South-West Africa, about which the Union is somewhat more co-operative; so is the Ewe problem in Togoland, and the other multi-syllabic problems of trusteeship, which create new areas of incomprehensibility every time they are discussed.

The Korean problem appears formally in the shape of a single item which brings together reports from both Unkra and Uncurk, the UN agencies most immediately concerned, it echoes also in the germ warfare item, to which Iron Curtain countries devoted such passionate oratory when the United States proposed that an impartial committee be formed to investigate their charges. (Thus far that committee, its letters to China and North Korea unanswered, has not been able to function, but it must still report).

The two serious reports by the Korean agencies provide a factual background for at least one major question which

confronts the whole organisation—what part will Uno play in the reconstruction of Korea, how is that role to be apportioned among its various entities, and how can its work best be geared in with the far more lavish plans under consideration by at least one of its member nations, the United States? Thus far, it is common talk that Uncurk, which during the fighting has acted as Uno's eyes, ears and messenger service, must either be remade to suit new conditions, or replaced by another body. Its own report, containing an important footnote to history in the shape of an account of what makes Mr Syngman Rhee tick in his own peculiar way, lends colour to this rumour, as it lays no stress on any need for its own continuance. Unkra, on the other hand, less modest or less trustful of the library work which harassed delegates can do, is quite sure that it should be continued in being. It asks for \$130 million to pay the cost of its relief and rehabilitation programme for 1954, and its agent-general has reported that outside aid of at least a billion dollars will be needed to put Korea's economy where it was in 1949. The Assembly must face at least the first of these estimates.

A Propaganda Plum

The economic and social problems which confront the Assembly are a mixture of the hardy perennials, such as the Covenant of Human Rights to which the Americans gave a body blow at Geneva, and new seedlings like the forced labour item, which Ecosoc tried to side-step by deferring consideration until a later date. Refusing to be deprived of such a propaganda plum, the United States now asks that the Assembly itself take up the report of the UN-ILO Committee and "record the seriousness with which it regards the situation (of forced labour in four countries) and its determination that forced labour should be abolished."

It is expected that the most vigorous debate on economic matters will revolve round continuing efforts to aid the progress of what are called under-developed countries. If those which admit the name follow the Geneva pattern they will form the most articulate and determined bloc in the Assembly. Meanwhile, of course, the countries able to supply capital are showing an increasing tendency to applaud the principle rather than the practice. Nevertheless, the struggle continues. Three projects face Assembly debate—one the proposed fund known as Sunfed, for grants-in-aid and long-term low interest loans; another the suggested international finance corporation to enlist private as well as public capital; and third, a complex of items concerning technical assistance, which burgeons in popularity while pining for funds.

Of the items awaiting other committees, the personnel problem will start fireworks (Senators McCarthy and Jenner are contributing lighted brands), while the Secretary-General's report on the organisation of the secretariat and the items on possible Charter revision are almost sure to get less attention than they deserve.

Meanwhile the reactions of China and North Korea to political conference plans remain outside the agenda. So does the effect which the August hubbub may have had on India's sensitivities. It was with almost embarrassing reluctance that India gave up hope of being asked to attend the political conference. It is anybody's guess whether the presidency of the Assembly will prove to be sufficient compensation for that disappointment.

Bonn Galaxy

FROM OUR SPECIAL CORRESPONDENT

DR ADENAUER has been negotiating with party leaders since his election triumph and the new German Federal government will soon be formed. It is not likely to bring many new men to the fore. Dr Adenauer will certainly continue to hold the office of Foreign Minister as well as Chancellor, though he will probably appoint Dr von Brentano as his deputy. Dr von Brentano is the leader of the parliamentary group of the Christian-Democratic Party and has represented the Federal Republic at Strasbourg. He is, of course, an advocate of the European Defence Community, but is not above giving a sop to the German nationalists now and again, as on the occasion when he pronounced that Germany must at some time recover the frontiers of 1937.

The post of Vice-Chancellor will probably be taken from Herr Blücher, whose Free Democratic Party lost heavily in the election. For this result the British are largely responsible, as their exposure of the activities of Dr Naumann and other extremists in the party led to an ill-concealed split and loss of votes. Herr Blücher himself is a reliable democrat and a liberal conservative who was minister for ERP affairs at the time of Marshall aid. He may receive a new post in the government, but his influence, as head of a divided party with only 48 seats, will be less than formerly. The position of Vice-Chancellor—hitherto a mere title—will probably go to the head of the Christian-Social Union (CSU), Dr Franz Josef Strauss. The CSU, the Bavarian branch of Dr Adenauer's party, has gained in strength, and wiped out the Bavarian Party—a strongly federalist party—at the polls. It now has more seats than the Free Democrats and will keep a sharp watch on any attempts to centralise government in Bonn beyond the limits allowed by the federal constitution. Dr Strauss is also a candidate for the post of Germany's first Minister of Defence; but the French will not allow this post to be officially created until all the countries concerned have ratified the EDC treaty.

Erhard Economics

No change is likely in the key post of Minister of Economics. Dr Erhard has been so successful in his policy of free market economy that he is sure to continue to direct economic affairs. Dr Erhard has just repeated his determination to expand German production and consumption, and to keep in step with Britain on the road to convertibility. He will press for the coal-steel community to be turned into a full customs union, and, as an open opponent of state controls, he will try to prevent supra-national organisations from adopting powers that the German national state has discarded.

Dr Erhard is guided by an optimistic belief that the utmost freedom in the international economic field will benefit the Germans. His relations with the German industrialists are marred in only one important respect—by his honest objections to restrictive cartels. The influence of the industrial and business world has been strong enough to prevent the passage of an effective anti-cartel law; and in the new *Bundestag* these circles are even more strongly represented than before. The fate of anti-cartel legislation, so dear to the Americans, is therefore probably sealed.

Dr Schäffer, who has proved extremely efficient as Minister of Finance, will also remain in a key post. His great task, if he returns to the direction of State finances, is to reform the German taxation system, which is incredibly complicated. Taxes are to be reduced in the course of this reform, which should greatly benefit German enterprises. Dr Schäffer, however, has had to struggle against the irresponsible way in which the *Bundestag* voted increased expenditure without any thought of how the revenue was to be raised, and he or his successor will be faced by a fairly considerable budget deficit. As a shrewd and orthodox finance minister, Dr Schäffer has put brakes on various claimants to German money—the occupation powers, the federal Länder (although Dr Schäffer, as a Bavarian, is ideologically a federalist), Dr Erhard and all others who demand lowered taxes, transfer of earnings from foreign investments, or convertibility of the D-mark. With the *Bank deutscher Länder*, Dr Schäffer represents the cautious, anti-inflationary school of thought in Germany and his influence will be needed in the period that has now opened; this should be one of consolidation as well as expansion.

Soviet Economy After Stalin—III

Incentives For Peasants

SOME 125 million people, or over two-thirds of the Soviet population, are still living in the countryside and the rural problem is probably the most difficult issue bequeathed by Stalin to his successors. The property instinct of the peasants dies hard even after years of collective farming. Besides, collectively owned farms cannot be run as easily by the planners as the State-owned industries. After the amalgamation in 1950 of collective farms into less than 100,000 larger units, some leaders—of whom Nikita Khrushchev was the most prominent—advocated that the gap between town and country should be bridged through the creation of agro-towns. This policy, however, had to be shelved from fear of peasant opposition. Stalin in his last economic pamphlet, which significantly concentrated on agricultural problems, warned against rash moves, but maintained that the gap must be closed "step by step" through a shift from commodity trade to a system of direct barter in the exchanges between town and country.

With this aim all Soviet leaders would probably agree, but Stalin's successors have an immediate task to tackle. They must rapidly raise the production and supply of food-stuffs and agricultural raw materials to fulfil "within two or three years" their pledge to the Soviet consumers. Meat, eggs, milk and other dairy products for urban dwellers, cotton, wool and leather for factories are the key to the Malenkov plan for improving the lot of the consumer. This has dictated the radical change in Soviet agricultural policy announced by Moscow last week. In this urgent situation the government expects to get extra supplies not by long-term measures, but by an immediate appeal to the material interests of the peasants.

Paradoxically this policy of concessions to the peasants has been entrusted to the prophet of agro-towns, the party's first secretary Nikita Khrushchev. His lengthy review to the Central Committee of the state of Soviet

agriculture spared no criticisms. It prescribed as an immediate remedy the lightening of burdens and the strengthening of incentives for the peasants. The collective farmer's private plot of about one acre—that last vestige of private property—was threatened by the agro-towns. Now it is to play an increasing role in the supply of potatoes, vegetables and dairy products. These plots were burdened with heavy taxes and high compulsory deliveries for the State. To avoid payments the peasant was cutting down his production in many lines. Farmers' sales on the free or so-called collective-farm market dwindled and the share of that market in total Soviet retail trade turnover shrunk. Now the tax on the private plot has been nearly halved, the debts cancelled. Farmers who have no cow will be freed from taxes for the time being. Compulsory deliveries have been reduced; prices paid by the State both for compulsory deliveries and supplies above the quota have been substantially raised.

Collective farms have also been given material incentives. Their compulsory quotas could not be cut in most cases without endangering the system of supply for the towns, but deliveries of potatoes and vegetables have been reduced. Prices for these and for livestock products have

SOVIET AGRICULTURAL PRODUCTION
(Million tons)*

	1947	1950	1951	1952	1955 (planned)
Grain	118.8	124.5	121.5	130.0	180.0
Cotton	2.7	3.75	3.95	...	5.95
Sugar beet	21.0	23.5	27.5	...	39.5

* Biological yield.

been increased. It is hoped that the greater revenue of the farms will enable them to pay higher work-day rates both in cash and in kind thus inducing peasants to work more for the collective.

This shift to money incentives and market operations has been prompted by the immediate need to close to some extent the gap between industrial and agricultural production. This time-lag is largely due to the difficulty of making up the terrible ravages in the countryside wrought by two wars, a civil war and forced collectivisation. Moreover, Mr Khrushchev admitted that hitherto agriculture, like light industry, has had to be sacrificed for the sake of heavy industry. Even so, the results did not correspond either to the planners' expectations or to the actual investments in machinery and fertilisers. While industrial production has more than doubled compared with prewar, agricultural production rose by only 10 per cent.

Grain output, which has a very ambitious target for 1955, showed its first big jump last year when it reached 130 million tons. It must be remembered, however, that Soviet yield figures are inflated because they are calculated on the basis of the biological standing crop. Moreover, the rise was achieved by increasing the area under cultivation and the yield remains very low at about 12 quintals per hectare. Still, according to Soviet sources, the bread-grain problem has been largely solved, chiefly through a shift to wheat production (which now accounts for about half the total); but there is still a shortage of barley and oats. The production of cotton and sugar-beet has been encouraged

TWA knows America



- and what this means to you!

Flying TWA you get full value for every precious minute of your U.S. trip. TWA knows America. Wherever you want to go in the States you will find friendly TWA people, ready to help you in every way possible. They know schedules, connections, people—the ins and outs of U.S. air travel. TWA offers you a knowledge of America that is *unique*. Why? Because TWA is the only airline flying from London to *and* across America.

There's a TWA service to and across America to suit your pocket book—from luxury coast-to-coast "Ambassador" Super Constellations to thrifty stretch-out-comfort Sky Tourist flights.

For your TWA booking, see your travel agent or phone TWA
TRANS WORLD AIRLINES, 200 Piccadilly, W.1.
Telephone: TRAfalgar 1234
TWA Reservation Service available day and night.
Manchester. Tel.: BLAckfriars 4649.
Birmingham. Tel.: CENtral 6469.

FLY TWA
TRANS WORLD AIRLINES

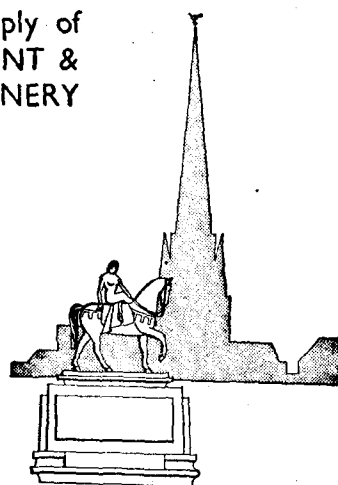


USA • EUROPE • AFRICA • ASIA

ABELSON

Specialists in the supply of
PLANT, POWER PLANT &
miscellaneous MACHINERY

The Lady Godiva Statue was presented to the City of Coventry by Mr. Bassett Green and the photograph shows this being lowered into position on to its plinth standing on a garden island in Broadgate, the City Centre.



One of the many assignments entrusted to us—your assurance against risk.



ABELSON & CO. (ENGINEERS) LTD.

SHELDON BIRMINGHAM 26

TELEPHONE: SHELDON 2424 (10 lines) TELEGRAMS: ABELSON BIRMINGHAM

LONDON OFFICE:
70, VICTORIA STREET,
LONDON S.W.1.

TEL.: YATE GALLERY 04410
GRAMS: (INLAND) ABELPOWER
SOWEST LONDON

MANCHESTER OFFICE:
100, OXFORD ROAD,
MANCHESTER, 13.

TEL.: ARDWICK 1328 (3 lines)



Why did the paraffin
give up smoking?

"'Morning, Mr. Painter! It's about time we got acquainted. After all, I've been working for you a good many years now, in a manner of speaking. My name's *sulphur dioxide*. That's right—working for you. Not actually *here*, but at an oil refinery. You see, I clear the impurities from the paraffin you use in this blow lamp of yours. Without what you might call my 'refinement', the woodwork you're cleaning up would be covered with a thick layer of greasy soot. Just as, if I weren't used, paraffin lamps, cookers and heaters would smoke and smell horribly. But they don't—thanks to me and Brotherton. There's another name for you to remember. Brotherton—one of the largest manufacturers of liquid sulphur dioxide in the world."

A BIG NAME IN THE CHEMICAL WORLD

Brotherton

One of the world's largest manufacturers of hydrosulphites, liquid sulphur dioxide and hexamine. Makers of an extensive range of Metachrome dyes for dyeing wool in all its forms.

Brotherton & Co. Ltd., City Chambers, Leeds, &c. Also at Manchester, Glasgow, Wakefield, Birmingham and Birkenhead.

all the time, and here there is no need for additional incentives.

The picture is less bright for vegetables—which are badly needed for the towns—potatoes and fodder crops. This, combined with the shortage of coarse grains, hinders the development of livestock, the sorest spot in Soviet agriculture, which has been hit more than any other branch by the calamities of Soviet history. Despite the postwar recovery livestock numbers, with the exception of pigs, are still lower than in 1928. At first, after the war, ambitious targets were set, though not reached. In the current Five-Year Plan the objectives are more modest, yet even these would probably not have been reached without the present reform. During the amalgamation of farms collectives were taking over private property, while farmers were apparently killing stock. This year the number of cattle is smaller than in 1950.

SOVIET LIVESTOCK
(Million head)

	1928	1940	1950	1952	1953	1954*	1955*
Horses	36.1	20.5	13.7	14.7	15.0	...	15.2
Pigs	27.7	27.5	24.1	24.6	28.5	34.5	35.5
Sheep & goats	114.6	91.6	99.0	97.8	109.9	144.4	159.5
Cattle	66.8	54.5	57.2	58.7	56.6	65.9	68.0
Of which: cows	33.2	25.3	24.2	23.7	24.3	29.2	...

* Planned.

The policy of incentives fits well into this picture. Prices for compulsory deliveries of cattle have been increased 5.5 times, for butter and milk twofold, for vegetables by from 25 to 40 per cent. Prices for additional state purchases of meat and milk have also been stepped up. These measures are to meet the immediate needs. But the long-term plans have not been forgotten. A ten-year plan for the supply of fertilisers has been revealed. Between 1954 and 1957 500,000 tractors (in 15 h.p. units) are to be supplied to the countryside, that is, as many as during the whole postwar plan when the tractor park had to be completely restored. Finally, a great many agricultural specialists and mechanics are to be sent into the countryside. Although there are 350,000 agricultural specialists in the Soviet Union, only 18,500 are in collective farms and 50,000 in the MTS (Machine Tractor Stations). The rest are dispersed in ministries and among local authorities. Like mining engineers, they are not keen on going "down the pit." Next year, however, 100,000 will be sent to the MTS.

The 9,000 MTS—these outposts of the state in the countryside—are, in fact, to be strengthened. Tractor and combine drivers and mechanics are now becoming permanent members of the MTS from which they will receive bigger salaries and a plot of land. As a counter-balance to the effect of the concessions to the farmers, Mr Khrushchev will have at his disposal a powerful army of about 2 million specialists in key positions. True, their pressure will be economic and on the political front a major concession has been made through the abolition of the post of "vice-director for political matters." This, the security man who ran the countryside from the MTS, was particularly hated by the peasants. Now the first secretary of the local party will be responsible for agricultural policy, while one of the secre-

taries will sit permanently on the MTS. Yet even without the security commissar the numerically strengthened party-controlled cadres will act as a check against any upheavals provoked by the policy of concessions. Mr Khrushchev has announced, not a capitulation, but a tactical retreat during which the outposts are to be reinforced. Once the crisis has been averted, more machinery supplied and more consumer goods made available, he may launch from these strengthened outposts his real campaign for bridging the gap between town and country.

(To be concluded)

Germany and the Arabs

WHEN *The Economist* last described the German trade drive in the Middle East in its issue of November 29, 1952, West Germans were agitated lest an Arab boycott should be imposed out of wrath at Dr Adenauer's arrangements to pay reparations to Israel. Events in the months between have shown that these fears were groundless. German reparations payments to Israel have begun, but there has been no resultant slackening of Arab interest in Germany as a source of supply; on the contrary, German exports to the Arab countries and Persia in the first seven months of 1953 show a substantial increase over the same period of 1952. Clearly, most Arabs have rated Germany's assistance to Israel as of less significance in their calculations than Germany's value as a source of supply that has no ex-imperialist label; in Persia and Egypt, Germans are favoured by hostility to Britain, in Syria by antipathy to France. Simultaneously, the very energy with which German exporters have pressed their suit in Arab countries has created a local impression that Germans can help not only with technical problems but with credits where these are needed. The Egyptians in particular have been deep in consultation with German emissaries as to how to meet the big bills for development that they would like to incur; these same Germans are reporting back to Bonn that unless credits can be arranged, contractors of other nationalities will win the day.

News items as to German activities in Middle Eastern countries therefore abound. Some tell of the actual award of large-scale contracts; those for the Tigris barrage that is part of Iraq's Wadi Thathar flood-control scheme, and for the two new Baghdad bridges over the Tigris are two leading examples of German success. Others mention increasing use of German consulting engineers; for instance the well-known German steel-industrialist Dr Rohland is at present advising the Egyptians on their plans for a steel works at Helwan. Germans are also advising on the possibility of constructing the new Nile dam that the Nguib government hopes to be able to afford above Aswan. Reports from all countries suggest that German firms outnumber other tenderers for major jobs—they do so for the Aswan hydro-electric power scheme and the Helwan steel works in Egypt; they outnumbered by four to one the British firm which this week secured the contract for the Wadi Thathar sluice gates in Iraq, and they are said to be the most numerous of the contractors who plan to submit tenders next month for the Dokhan dam in northern Iraq. They are active also in Syria where they are said to be contemplating taking out a licence for oil prospecting in areas that were, three years ago, abandoned

by a subsidiary of the Iraq Petroleum Company; they are also showing interest in building a refinery, and the now somewhat pathetic Dr Schacht is said to be interested in other Syrian development projects. Further south, they have just signed a \$2 million contract with Saudi Arabia for telecommunications equipment, and in the Yemen they have secured an oil exploration concession on a basis of shared costs as well as shared profits.

Yet a study of current German trade figures with the area shows that the future of some of these schemes is unclear. All is well in the countries which earn foreign exchange from the sale of oil. But elsewhere—that is, where there is no capital available for major works—even minor payments raise a problem if imports from Germany outrun local capacity to export to it. If Egypt, Lebanon, and also Syria were to start ordering German equipment in any quantity, they run the risk of finding themselves in the plight already familiar to Turkey—that is, confronted with a large debit account run up for them by eager German salesmen; and then, having reached agreement with the German government on sales transactions that would enable them to pay off the debt, meeting with an unwillingness on the part of German importers to buy their goods at their prices.

With Egypt, Germany has for some time past had a payments agreement which allowed a \$15 million swing in

WEST GERMAN TRADE WITH THE MIDDLE EAST
(Million D marks)

	Exports to :			Imports from :		
	1951	1952	1953†	1951	1952	1953†
Egypt	124.7	160.5	125.8	103.1	127.9	64.6
Syria	32.5	39.4	27.8	5.4	15.2	25.1
Lebanon	16.9	48.0	38.1	4.5	2.6	1.0
Iraq	9.5	19.6	20.3	138.5*	169.6*	95.2*
Persia	83.4	87.6	64.1	106.8*	69.0*	63.9*
Saudi Arabia ..	12.9	18.7	8.1	154.1*	146.0*	95.6*

* Includes petroleum. † Seven months.

either direction; now, the volume of German exports has caused Egyptian indebtedness to reach the limit of the swing, and a protocol has been added to the agreement whereby the Egyptian government is to take measures to get the account back into balance by encouraging the export of cotton to Germany. Whether German importers want this is another matter; despite encouragement, they bought less Egyptian cotton in 1952-53 than in 1951-52. Egypt has, therefore, as from August 3rd, last, added the Deutsche mark to the currencies—so far only sterling and dollars—in respect of which it runs an "import entitlement account" that allows of imports from Germany only in relation to exports thereto. As in the case of the similar sterling account, an exporter to Germany has the right to sell his earnings in marks at such premium as he can get from would-be importers. He is thus in a position to offer German spinners cotton at a discount equal to the premium he can get, and to pass the cost of the premium on to the importer, who in turn passes it to the consumer, so raising the price of German goods in Cairo and tending to penalise the German exporter. Egyptian exporters are to have access only to 75 per cent of the D-marks they earn; the remaining 25 per cent will be used by the government.

Countries which must go to such lengths in order to

balance their day-to-day trading accounts are scarcely in a position to lodge big orders, German commercial expansion in the Middle East in general and in Egypt in particular is therefore not all plain sailing. Bonn, which has been assisting firms to get back into markets in which they were prominent before the war may have to strain itself to go on helping them in countries that cannot pay. Nor is Germany having matters all its own way *vis à vis* western rivals; competition is hot, and German engineering firms now seem to find that France, not Britain, is their most serious rival. Even the Japanese, who are said to be ready to build a railway from Aswan to the Red Sea in return for supplies of the iron ore it would carry, are beginning to elbow for room on a crowded floor. In such circumstances, Middle Easterners can hardly be blamed for their belief that foreign investors are to be had for the asking.

Australia's Incentive Budget

FROM OUR MELBOURNE CORRESPONDENT

IN a Budget designed to give a "strong and genuine incentive to the community," the Federal Treasurer (Sir Arthur Fadden) made good his government's pledge to give substantial tax relief to the Australian people with cuts in direct and indirect taxation amounting to £118.4 million a year. Despite an overall reduction in personal rates of income tax by 12½ per cent and a reduction of about 20 per cent in rates of company tax, the Treasurer budgeted for a decrease of revenue of only £6.1 million, while total expenditure is expected to rise by £7.1 million.

The Commonwealth Government was able to concede substantial reductions in rates of personal income tax, company tax, and sales tax because of an increase of 10 per cent in the national income in 1952-53. The Treasurer clearly counted upon a further increase in the national income in the current financial year to enable the same amount of tax yield to be obtained in the face of substantial reductions in tax rates. The government has now fulfilled a pledge made earlier in the year that substantial reductions in taxes would be made a part of its policy to achieve economic stability after the high boom of recent years. As Sir Arthur Fadden pointed out in his budget speech, "it is remarkable that the transition from violent boom to comparative stability has been accomplished with relatively so little unemployment, dislocation and loss." The sharp fall in export income from £988 million in 1950-51 to £678 million in 1951-52, chiefly as a result of the drop in wool values, was not followed by any catastrophic downturn in business activity in Australia. There was an inevitable tightness of credit as the balance of trade deteriorated, but the situation was saved by a bounteous season last year, with increases in production of major farm commodities, plus the effect of rigid import restrictions.

The Commonwealth Government justifiably prides itself with having taken measures in the last three years to arrest the insidious tide of inflation which struck Australia with great force when wool jumped to 14 times its 1939 value. In his 1950-51 budget, Sir Arthur Fadden imposed heavy additional taxation in order to reduce the excessive monetary demands for goods and resources, and the surplus so achieved was applied to finance State public works. In

her words, current revenue was used to meet capital expenditure which normally would be paid for by the nation over a long period of years.

In the year ended June 30th last, there was a rise of less than 4 per cent in retail prices, a favourable contrast with rises of 20 per cent in each of the two preceding years. In other words, the great wool boom inflation in Australia seems at last to have dissipated itself and the government now claims that it has practically attained the stability it set out to achieve in the strenuous days of 1950 and 1951. This is true, but it should not be forgotten 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. The inflated returns from export commodities hit the economy with great force causing a tremendous pressure on labour and resources with the inescapable rise in prices and wages. Australia then not unnaturally led the world in the postwar rise in retail prices.

Foreign Competition

As a result of all this, Australia is now saddled with a cost-price structure greatly out of line with those of most other countries, particularly those manufacturing countries with which it trades. The rise in internal costs has made it difficult for farming industries to operate profitably at current world prices, wool being a notable exception, while secondary industries find themselves unable to meet the competition of their lower-cost competitors overseas. The Commonwealth Government is fully aware of these difficulties and in his budget speech Sir Arthur Fadden mentioned three factors which could thwart Australia's efforts to expand just as effectively as inflation did. These he named as the problem of costs (which is a direct result of the great wool inflation of two years ago), the problem of savings which are still too low to sustain an adequate rate of national expansion, and finally the ever-present problem of increasing productivity.

Sir Arthur Fadden thinks that the best way of dealing with Australia's high cost structure is to achieve greater efficiency by both labour and management. By reducing taxes and so making wages and profits more worth earning, the government hopes to provide an inducement to greater effort and efficiency. If the current budgetary measures lead to greater efficiency—and businessmen have claimed that high taxation has been the greatest incubus on enterprise and efficiency in recent years—a major economic crisis will have been averted by voluntary and relatively pleasant means. In the past, an inflated cost structure has usually been reduced by much sterner means.

But in Australia today, the pressures are not so much working towards greater industrial efficiency through organisation and co-operation, but towards greater protection by means of import restrictions, increased tariffs, or a higher rate of exchange, all of which would still further increase current costs. These are the solutions advocated by the many pressure groups which grow more active as they see goods costing less than their own invading the local market. At best these solutions are only a palliative; at worst they will only aggravate the malaise and bring closer the inevitable day of reckoning.

Life in North Korea

KIM IL SUNG, Nam Il and other Korean Communist leaders have gone to Moscow, presumably to be briefed on how North Korea should approach the coming peace conference, and almost certainly to plead for more aid; their party newspaper, *Nodong Sinmun*, has expressed a fervent hope that their journey would help to lay "firm economic foundations for the fatherland." This may seem odd; Malenkov has already announced that the Soviet Union will extend a billion roubles' worth of aid to Kim Il Sung's regime. But Kim himself, in a major address to his subjects last month, was careful not to represent this aid either as adequate for North Korea's needs, or even as being an outright gift. On the contrary, he strongly implied that North Korea would have to work its own way back to recovery, and that it would get Soviet "aid," as China has done, only at a stiff price.

Kim's speech portrayed conditions in North Korea in a very different light from that usually shed by his own propagandists. Pyongyang radio, for example, is now daily exulting over the rapid rebuilding of factories and towns, and the laying out of new streets named after Kim, Mao, and Stalin (the last of these must have an old-world charm for visitors from Communist states that have virtuously renounced the "cult of leadership"). Its broadcasts have stressed—doubtless for the benefit of listeners south of the armistice line—the flood of consumer goods now pouring into newly-opened state stores and "consumers' union" shops.

Search for Manpower

Kim Il Sung, however, has evidently read Malenkov's speech to the Supreme Soviet. He devoted long sections of his address to castigating the "hopelessly backward and worthless" quality as well as the lack of variety, of consumer goods produced in North Korea, the "displays of mouldy, dusty and disarranged goods" in state stores, and the "irresponsible and bureaucratic manner" in which officials distributed goods so that some places were glutted and others neglected. But it was notable that Kim was not so much championing the consumer as complaining that owing to these blunders the state trading apparatus was failing to yield revenue. He announced, however, that funds for his exchequer were nevertheless to be secured by "enabling the people voluntarily to mobilise their surplus money"; in case this phrase might be misunderstood, Kim explained that they would be required to buy state bonds.

Manpower, according to Kim, is an even greater problem than funds. He referred not only to war casualties, but also—a remarkable admission—to "those who have fled to the South." Peaceful reconstruction, it seems will play second fiddle to North Korea's continuing military effort; the workers called up during the war "are still in the vanguard of the defence of the fatherland," and manpower must be sought elsewhere. Fortunately, "our women possess inexhaustible capacities for work." "Migrant peasants," who in the past have successfully eluded the grasp of the authorities, will be firmly directed into industry. There must be "strict control over the movement of labourers" and "patriotic labour mobilisation of masses of the people." But even this will not suffice. "One of the most important tasks" must be the "resetting of the old work standards

(norms) in keeping with reality." Kim claimed that in some cases norms could be increased tenfold.

But what of the promised aid from "brotherly countries"? Kim indicated that much of it would take the form of visiting Soviet experts, from whom the North Koreans must "humbly learn" in the "short period of time" that they would stay. Some Soviet machinery will be imported; but Kim hastened to warn his people not to expect too much: "What I mean by mechanisation is mainly that by initiative and invention engineers and workers should be able to do their work more efficiently." Importing possibilities are strictly limited by what North Korea itself can "export to our friendly nations for the acquisition of foreign currency." For this reason, imports of petrol will be severely cut, and imports of woollen clothing material are to stop altogether: "a person's dignity will not be lowered just because he wears cotton clothes." Again, "how can we expect to import such materials as timber, bricks and cement?" (It may perhaps be noted here that the Soviet Union has lately held out to Japan the prospect of timber exports from its Far Eastern provinces). On the other hand, "the Party must pay special attention to the search for and exploitation of materials desired by our friendly nations to obtain the maximum possible foreign exchange." The way of life offered by Kim Il Sung to his subjects sounds remarkably like what, in a non-Communist country, would be dubbed "semi-colonial exploitation."

New Zealand's Budget

FROM OUR WELLINGTON CORRESPONDENT

MR HOLLAND'S 1953-54 budget, delivered in the House of Representatives on August 27th, was an effort to reconcile irreconcilables by providing tax concessions without appreciably reducing the heavy works programme or decreasing the financial burdens of the social services. His solution to the problem of finding more money and at the same time cutting taxes was to announce that the government will go on the New Zealand market later this year for a further development loan of £10 million. It has only just raised £20 million for the same purpose and found it none too easy!

Its decision to go to the loan market for another £10 million, though it is generally approved as a counter-inflationary measure, will cause some further difficulties for local bodies who are already experiencing trouble in raising their loan requirements. The present high cost of living and high taxation have had a depressing effect on small savings and it is evident that the government will have to work hard to obtain the extra money it now proposes to borrow. Its best market may be with the farmers, but most of these want to use their money for the development of their own holdings.

At the same time as he announced the loan, Mr Holland also announced various tax reductions amounting in all to some £6,500,000. The concessions were chiefly made to the family man by increasing the income tax exemption from £200 to £230 and the deduction on account of dependent children from £50 to £65. It was difficult for Mr Holland to refuse tax concessions because the day before he returned from his Coronation trip, his deputy, Mr Holyoake, had

stated that some "worth while" reductions could be expected.

Mr Holland did his best, by expatiating upon the tax relief already given in his previous budgets, and adding it to his latest concessions, to give the words "worth while" some meaning. He pointed out that since it came to office in 1949, his government has reduced taxation by over £22 million and that its latest concessions will bring the total to just under £29 million. He did not give equal emphasis to the fact that since the National Party has been in power, the actual collection of taxes has risen from £158 million to £200 million, though he did point out that this was the result of increased prosperity. Similarly, though he emphasised the efforts made to prune departmental votes, he did not emphasise that the expenditure from the consolidated fund this year will be £6,250,000 more than last year.

Cost of Social Services

The real obstacle to any considerable reduction in New Zealand's taxation, the cost of social security services, passed almost unnoticed. Yet the financial statement showed that the taxation collection for the various state welfare services under the general heading of social security, is expected to amount to £62,100,000 in 1953-54 compared with £177,500,000 which it is estimated will be collected from all other sources of taxation. It also showed that once again the social security fund will require a subsidy of £14 million from general revenue. Figures released prior to the budget show that last year over £57 million was paid out in direct monetary and health benefits under social security and that more than half of these payments (chiefly the 10s per child family benefit) were not subject to any means test.

Mr Holland was able to show that the works programme, estimated originally to cost £82 million this year, had been pruned by £9 million. One of the largest increases (£2 million) will be in the cost of building new schools and other educational buildings. New Zealand will spend £20 million this year on education, a good deal of it in an effort to catch up with the lagging building programme.

The Prime Minister was also able to show that the government has resisted the temptation to cut the defence vote and that in spite of the apparently improved position in Korea (where the war has already cost New Zealand over £14 million), the total amount allocated to defence (£27,500,000) will be about £1 million more than last year. He hinted that he would like to dispense, at least in part, with food and other subsidies, now running at a rate of just under £14 million a year, but, after pointing out the effect this would have on the cost of living index, he said that the subsidy programme would continue, reduced by the removal of a subsidy at present paid to gas users.

On general issues, Mr Holland struck an optimistic note, as he was entitled to do. Production, he said, was increasing; there were good markets for New Zealand's exports and prices generally were satisfactory. Full employment had been maintained, the business outlook was steady and New Zealand was enjoying the blessings of industrial peace. He did not add that very shortly the New Zealand Federation of Labour, on behalf of the trades unions, will apply to the Arbitration Court for a substantial wage increase and that if the unions are not satisfied by the result of this application industrial peace may suffer or, alternatively, that if they are satisfied, costs of production will inevitably rise.

THE CASE OF THE SHOP THAT WAS OVER SUCCESSFUL



At Lipton's self-service store in Leeds business was so good that money couldn't be taken fast enough to keep customers inside the shop moving through—and those outside were waiting...

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.

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.

Call Burroughs today. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service Offices in principal cities round the world.

For expert advice on business figuring

CALL IN Burroughs



FIRE! HIS LIFE LOST FOR LACK OF NU-SWIFT!

"Door jammed in crash... car blazing but window open... he could have been saved if only... it was a dreadful sight... I enclose order... I shall never be without my Nu-Swift."
NU-SWIFT LTD. • ELLAND • YORKS
In Every Ship of the Royal Navy



Player's PERFECTOS

The inevitable choice for those who appreciate the finer things in life.

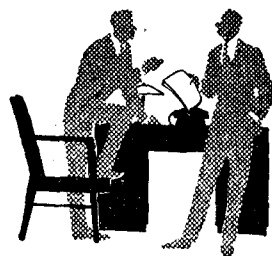
Packed in boxes of 50 and 100

JOHN PLAYER & SONS, BRANCH OF THE IMPERIAL TOBACCO CO. (OF GREAT BRITAIN & IRELAND), LTD.

PF28A

My dear fellow

It doesn't matter tuppence whether you want only one new desk or furnishing for six office floors. Talk to Peter Catesby and his staff about it. They won't go so far as to suggest puce striped wall paper—but they do take great pains to give some individuality to your furnishings. They will adapt a piece of furniture to suit your exact physical needs. In short, they'll give you what you think you want—only a lot better.



Catesbys contracts

Office Furniture • Floor Coverings • Curtains • Decorating • Fittings
64-67 TOTTENHAM COURT ROAD, LONDON, W.1. TELEPHONE: MUSEUM 7777

THE BUSINESS WORLD

ABC of "Input-Output"—I

Demand under the Microscope

THE emergence of new techniques of economic analysis does not usually excite the practical businessman. Advances in the physical sciences and technology are much more likely to influence his thinking. Such an attitude should induce humility in the professional economist. But the business man who is not repelled by economics, or by the need to wear a wet towel for an hour or two, might try to meet a recent development in the field of applied economics at least half way. This development lacks at the moment a convenient shorthand name. It now goes forbiddingly under such titles as "inter-industry" or "input-output" analysis. "Input-output" is essentially a double-entry reckoning of all the transactions between different branches of industry. It should be able to tell industry a lot of new facts about its customers; this is doubtless why it has already produced discussion well outside academic circles in the United States. In this country work is proceeding on the first large-scale British input-output table. It may well be that the new input-output technique—which will always be associated with the name of its American exponent, Professor W. W. Leontief—is destined to become an influential guide to industrial decisions and to economic policy in a broader sense.

The business man owes it more than a passing glance, if only for the reason that it goes such a long way to meet his objection that economics is an inexact science—that economists base their theories on models of the economic system that are either so simplified as to have no reality, or so abstrusely mathematical as to be beyond the grasp even of a man able to direct profitably the largest of industrial empires. By contrast,

an input-output table, for all its complications, is realistic and utilitarian; it offers the prospect of anatomical investigation upon the body politico-economic.

Simply described, an input-output investigation provides an enormous table that shows for a particular year what each industry supplied to every other industry and to the final consumer. This table is known as an "input-output matrix" or grid; it is arranged so that each industry, or supplier, appears as a producer down one side of the table, and again, in the same order, as a consumer along the top. By this arrangement the table can show, for example, how coal is used by all industries and by households, including the coal needed by the coal industry itself to provide its own power. Last year, for the first time, the blue book on National Income and Expenditure presented certain data of output in different sectors of the economy in an "inter-industry" form; the enlarged table in this year's blue book, relating to 1950, is reproduced on the next two pages. This is a big table by ordinary standards; but it is in fact the tiniest sketch of a full input-output table employing a more elaborate classification of the different industries in the economy. A recently published American table for two hundred industries, in type far smaller than that used in the table overleaf, runs to six sheets, each of them four times the area of a page of *The Economist*.

The importance of input-output analysis is that it reveals intermediate as well as final demands in detail. When these intermediate demands are related to the final product in the last column, one has a reliable map of the interconnections of the whole economy—in greater or less detail according to the scale. It can bring to account every transaction in goods and services

in the economic system. Final demand, which appears down the last right-hand column, is split into what is bought by the private consumer (households), by the government, by the overseas customer (exports) and what is set aside in the form of gross investment. The basic inputs are labour, rent, return on capital, and imported raw materials and intermediate commodities.

The degree of refinement of such a cross-section depends on its size. The input and output of each producing sector of the economy—whether an entire industry, a trade or an independent profession—is expressed in “pounds’ worth,” the values being those for the year of the table itself. The full table will be an exact, if condensed, account of all the commodity transactions that occurred in the United Kingdom—in 1948, to take the case of the table now being calculated in the Department of Applied Economics, Cambridge, with the co-operation of the Board of Trade. It is a double-entry accounting synopsis of everything that passed from producer to consumer throughout the economy, recording not only the pattern of final demand, but the process of inter-industry transactions that continuously weaves that pattern.

The results of an inter-industry analysis of this kind differ significantly from calculations of the national income. The national income estimates deal with three aspects of economic activity: total production, industry

by industry; total consumption; and additions to wealth. Input-output statements deal analytically with the first of these aspects—the production or transformation of materials. National income analysis shows changes in such aggregates as Government expenditure on goods and services, private savings or business investment; but it does not trace how these changes may cumulatively affect the country’s industries, services and agriculture. One would not look, for example, to the national income figures for guidance on the detailed intermediate effects upon different industries of additional rearmament spending or of a decline in general demand. Yet to the business man, the making of such forecasts is all-important, and he is not to be blamed for holding that, so far, the economist has done little towards helping him to make them.

An input-output table can help the economist to make the forecasts which governments and businesses need. Its value for this purpose lies in the fact that it is a two-way statement. Since it traces in quantitative terms the interconnection of commodity transactions, it can obviously be rearranged to express, for a given unit of a given commodity in intermediate or in final demand, the variegated content of materials, services and labour requirements needed to produce it. The preparation of an input-output table expressed in money values, therefore, is only the first step. The

INTER-INDUSTRY

(£ million)

Purchases by	Agriculture, forestry and fishing	Mining and quarrying	Metals, engineering and vehicles	Textiles, leather and clothing	Food, drink and tobacco	Other manufacturing	Building and contracting	Gas, electricity and water	Other production and trade ⁽¹⁾	Other industries ⁽²⁾	Total intermediate output
Sales by	1	2	3	4	5	6	7	8	9	10	11 (1-10)
1. Agriculture, forestry and fishing	...	...	...	28	563	17	...	...	1	...	609
2. Mining and quarrying ..	6	...	42	19	14	133	27	127	56	...	424
3. Metals, engineering and vehicles	55	50	...	48	33	70	160	50	248	...	714
4. Textiles, leather and clothing	10	5	41	...	13	107	3	1	27	...	207
5. Food, drink and tobacco	116	...	...	1	...	...	...	...	15	...	132
6. Other manufacturing ..	118	30	395	89	130	...	209	21	200	...	1,192
7. Building and contracting ..	30	21	22	15	8	12	...	2	121	...	231
8. Gas, electricity and water	4	9	60	13	14	45	8	...	88	...	241
9. Other production and trade ⁽¹⁾	105	30	400	130	145	185	80	65	...	...	1,140
10. Other industries ⁽²⁾ ..	...	...	...	...	...	...	...	...	...	...	...
11. Imports ..	...	...	...	...	...	...	...	...	...	...	...
12. Sales by final buyers ..	53	11	218	468	396	393	39	1	219	...	1,798
13. Goods and services ..	...	...	12	12	...	17	...	...	26	...	67
14. Income of employees ⁽³⁾ ..	497	156	1,190	823	1,316	979	526	267	1,001	...	6,755
15. Gross profits other trading income and rent ⁽⁴⁾ ..	256	359	1,384	480	246	611	610	146	2,133	1,227	7,452
16. Taxes on expenditure less subsidies	409	53	605	336	268	362	132	106	1,808 ⁽⁵⁾	316	4,395
17. TOTAL INPUT ..	-44	3	11	11	678	81	7	23	284	...	1,054
	1,118	571	3,190	1,650	2,508	2,033	1,275	542	5,226	1,543	19,656

⁽¹⁾ Transport and communications, distributive trades, insurance, banking and finance and other services. ⁽²⁾ Public administration and defence, public health and education, ownership of dwellings, domestic services and services to private non-profit-making bodies.

second step is to “invert the matrix,” producing a table of coefficients that shows, in the same layout, the amounts of every other product required to bring into existence a pound sterling’s worth of any given product. From this second table, forecasts can be made of the effect throughout all industries of a change in demand for the product of one industry—though the reliability of such forecasts rests on the assumptions that a given change in output will call for proportionate changes in inputs and that technological conditions remain unchanged for the period of the forecast.

A photographic representation of the economic system is not a new idea. The French economist Say visualised such a *tableau économique* two hundred years ago, but it was not until censuses of production and distribution became precise and detailed that statistical, rather than algebraic, inter-industry relationships could be established. W. W. Leontief produced the first input-output table in the United States before the second world war, broken down into nineteen industrial groups. Leontief and the Bureau of Labour Statistics have in the intervening period worked out a much larger and more detailed table; in 1952 a 50-industry tabular breakdown of the structure of the American economy was published, and the 200-industry table has since been produced. The application of their work to British conditions was begun in the Economic

Research Division of the London School of Economics soon after the war. In 1952 Dr Barna published in the journal of the Royal Statistical Society an inter-industry analysis of the British economy based on the 1935 census of production, showing the relations between 36 industrial groupings. But though of great interest to economists, a 36-industry table is still too condensed a picture of “the real thing” to carry much conviction with the individual manufacturer. This defect should be removed when the Department of Applied Economics at Cambridge completes the two 450-column tables based upon the Census of Production for 1948, in three years’ time. The statistical computations are multitudinous, and the process of “inverting the matrix” requires the solution of so many simultaneous equations that punched cards and possibly electronic calculating methods will be employed by the British research team.

It may immediately be asked whether such a comprehensive accounting record of the British economy as it was in 1948 will have much use in making forecasts and assisting economic decisions by the Government and industry in the conditions prevailing in 1956. In fact, it seems that the time-lag may not greatly impair the usefulness of the tables; this question of the uses and development of input-output analysis will be examined in detail in a second article.

TRANSACTIONS, 1950

(£ million)

Final buyers					Total final output	Stock appreciation	Total output	Purchases by
Persons	Public authorities	Gross domestic capital formation		Exports				
		Fixed	Stocks ¹					
12	13	14	15	16	17 (12-16)	18	19 (11+17+18)	Sales by
451	8	...	4	9	472	37	1,118	Agriculture, forestry and fishing 1.
99	4	6	-15	48	142	5	571	Mining and quarrying 2.
285	205	866	-40	1,070	2,386	90	3,190	Metals, engineering and vehicles 3.
810	23	...	-27	477	1,283	160	1,650	Textiles, leather and clothing 4.
2,166	16	...	40	129	2,351	25	2,508	Food, drink and tobacco .. 5.
249	180	...	-29	323	723	118	2,033	Other manufacturing .. 6.
220	155	637	...	2	1,014	30	1,275	Building and contracting .. 7.
230	28	41	-2	4	301	...	542	Gas, electricity and water 8.
2,989	390	81	-5	536	3,991	95	5,226	Other production and trade ⁽¹⁾ 9.
472	1,071	...	...	...	1,543	...	1,543	Other industries ⁽²⁾ .. 10.
747	80	42	-130	115	854	140	2,792	Imports .. 11.
35	-103	-20	-6	27	-67	...	...	Sales by final buyers .. 12.
8,753	2,057	1,653	-210	2,740	14,993	700	22,448	Goods and services .. 13.
...	...	...	...	...	...	...	7,452	Income of employees ⁽³⁾ .. 14.
...	...	...	...	...	...	...	4,395	Gross profits, other trading income and rent ⁽⁴⁾ .. 15.
499	11	21	...	...	531	...	1,585	Taxes on expenditure less subsidies 16.
9,252	2,068	1,674	-210	2,740	15,524	700	35,880	TOTAL INPUT .. 17.

⁽¹⁾ Wages and salaries, pay and cash in kind of the Forces, and employers’ contributions.
⁽²⁾ Includes “residual error” amounting to £49 million.

⁽⁴⁾ Includes stock appreciation.

Firedamp in the Oven

THE gas industry in Britain is accustomed to buying part of the gas that it distributes through its mains. In 1951-52, about 12 per cent of all the country's gas was bought from outside suppliers, and in the East Midlands such purchases accounted for nearly half the gas sold. Nearly all of this is coke-oven gas, plus some oil refinery gases, such as butane. But the gas industry has not hitherto bought gas straight out of the earth; and the arrangement under which the Northern Gas Board is now passing into its Whitehaven gas mains methane drained by the National Coal Board from the local Haig colliery is the first contract for a supply of such natural gas in this country.

Methane, alias firedamp in the coal mine, alias marsh gas in the swamp, is also the largest constituent of the natural gas found with petroleum. It is a rich hydrocarbon fuel, and there have been attempts to utilise it in a practical way for many years. One early pioneer lit Heathfield railway station in Sussex by "marsh gas," and in another of its forms, sewage gas, methane has been used as fuel by large sewage works for years, and by one municipality, Croydon, as a fuel for corporation vehicles. It is most frequently found in coal workings, from which any concentration of methane of more than one per cent must be removed, or diluted to innocuous proportions. These special precautions have to be taken, since methane concentrations of more than 2 per cent in air are highly dangerous. In the past, methane has generally been removed from British mines by the forced draught ventilation systems, which bring it out of the updraught shaft in concentrations of about one per cent in the exhaust air. Enthusiasts contend that even in this low concentration the methane would be combustible enough to run a gas turbine for pithead power; but the Coal Board is still waiting for its first gas turbine.

At the Haig mine, and at 23 other British mines, methane is being removed by a Continental technique of drainage. It is collected through boreholes driven from the coal workings into the seams and overlying strata, and piped off independently to the surface. This has been done for half a century at another mine, Point of Ayr, where in recent years the methane drained from undersea coal seams has been used to fire the colliery boiler. At Whitehaven gas from the Haig pit was at first used for the same purpose. But (in theory at least) a colliery boiler should be fired with low-grade, almost unsaleable coal, and methane is too good for the job. So methane from the Haig is now being piped to the Whitehaven gasworks, and surplus gas from Point of Ayr will also be sold. The colliery gas has a heat value of about 1,200 B.Th.U. a cubic foot, against the 500 B.Th.U. for ordinary coal gas, and its flame speed is low; to use it pure would require new

burners on most gas stoves and equipment. At Whitehaven gasworks—an obsolete plant that was already due for closing, leaving the town to be supplied through the Ennerdale gas grid—part of the methane is therefore being passed over a catalyst that re-forms it into hydrogen and carbon monoxide; mixed with the pure methane, this can be burned efficiently in ordinary gas appliances.

About 750 cubic feet a minute of pure methane is now being sucked out of the Haig pit; one borehole alone, has yielded more than 100 million cubic feet of gas in the last 2½ years. The flow fluctuates, and the duration of the supply can hardly be guaranteed; hence the need for combining it with a flexible gas system in being such as the grid at Whitehaven. A gas undertaking, which has legal safety obligations to maintain its supplies, could hardly depend solely upon methane drained from coal even if the quantities were sufficient. So no great number of these links between colliery drainage and gas undertakings is likely, and the yield of methane from the pits, as the Coal Board has emphasised, is fairly small. If it were eventually found practicable to drain methane into gas systems at, say, 30 pits, with an average flow of about half that at the Haig (this is an exceptionally gassy pit) the quantity supplied might amount to about 5,000 million cubic feet a year. To put this quantity in perspective, the Coal Board alone sells about 40,000 million cubic feet a year to the gas industry from its coke ovens, and the total sales of town gas amount to more than 500,000 million cubic feet.

The Gas Council, it is fair to say, has rosier hopes of natural gas from other sources. It accepts these modest estimates of the methane that may be available from the coal measures. But it is co-operating with the Anglo-Iranian Oil Company in prospecting for natural gas elsewhere in Britain. There is a gas field in Scotland, though the quantities available are not known, and the Gas Council and Anglo-Iranian hope there may be much larger supplies in Yorkshire. Last year, Imperial Chemical Industries too, obtained permission to prospect for methane near Whitby.

The ICI venture was a reminder to the Coal Board that methane might be regarded as too rich a hydrocarbon to be used for burning; it would make a valuable raw material for the production of formaldehyde, acetylene and various solvents, if available in economic quantities. But chemical synthesis might require amounts of the order of 50 to 100 tons a day—far more than seems likely to be available from any colliery. Methane could also be used as a motor fuel, and might even carry the cost of liquefying and transport in cylinders and still be competitive with petrol for heavy vehicles; but it could not compete

with diesel fuel. The board is using methane in a mixed gas-diesel oil engine to provide electricity and exhaust heat to warm pithead bath water at one site; such a mixture, three-quarters methane and a quarter diesel oil, might give the methane a notional value of about 6d. a therm, but the board is not hopeful of finding consumers ready to pay that price.

In the first Whitehaven contract the coal and gas negotiators had the problem of settling a price for something that had hardly ever before been sold in this country. The price range, obviously, was limited by alternative uses or supplies. The lower limit would be represented by the cost of the coal that would alternatively be used to fire the colliery boiler, say 2½d. a therm; and the upper limit by the cost at which gas could be manufactured and supplied in the area, possibly about 6d. a therm. In some parts of the country, a local gas board might find it worth while to buy gas from outside at considerably higher prices, for example butane at 10d. to 1s. a therm, because the alternative would be to squeeze more gas from a gasworks that formed part of the industry's obsolete and uneconomic tail, where a therm of gas might cost 2s.

Business Notes

Bank Rate "Unified"

THE City was taken utterly by surprise on Thursday morning by the "posting" of a reduction in Bank rate—from 4 to 3½ per cent—immediately after the weekly meeting of the Bank Court. The surprise was heightened by the fact that this was the first peacetime change since 1932 to be made in the traditional way, solely by communication from the Bank. Not for some time did the City discover that the tradition had been supplemented by an official explanation—and one that robbed the change of a good deal of its traditional significance. The statement explained that, whilst Bank rate as such—i.e. the minimum rate at which the Bank of England will discount approved bills of exchange—had been reduced by ½ per cent, there would be no reduction in the Special rate at which the Bank makes seven-day loans to the market. This rate, previously kept at ½ per cent below Bank rate, was introduced at the time of the launching of the new monetary policy in 1951, with the object, it is now explained, of "easing the transition to a more positive policy." Hence the effect of Thursday's change was to "unify" both official rates at a

or more to make against the national average of about 9d. a therm.

The price paid for these first experimental supplies from the Haig pit has not been disclosed; both sides describe it as provisional, and obviously considerations such as regularity of supply enter into the question of price. To the gas industry, the first price set for a gas that they hope may become available in significant quantities from more than one source, to replace gas made from coal that becomes more expensive with the years, is obviously important as a precedent. Coke-oven operators, for example, would argue that the prices paid by the gas industry for coke-oven gas are still lower than they should be because it was originally sold as a "waste product." The Coal Board, less sanguine about the amounts of methane that may eventually be produced, prepared to use the gas itself at most collieries, and in any case draining methane primarily for safety, has been perhaps less concerned to haggle. So this co-operation between the two nationalised fuel industries has shown no sign as yet of producing the wrangles over price that have long attended the NCB's sales of gas—and coal—to the gas industry.

level of 3½ per cent; and the object of this unification is officially stated to be "to allow more freedom in the day-to-day operation of the market" and to "facilitate the flexible use of Bank rate in either direction as circumstances may require."

This statement, by creating doubts about what precisely lay behind the change, caused much bewilderment in the City—and especially in stock markets. At the close of business on Thursday, when this issue of *The Economist* went to press, the implications were still uncertain, and so was the future structure of rates. On the one hand, it is certain that the authorities are anxious that their move shall not be construed as a sign that the danger to Britain's economy has passed; their general attitude towards monetary policy remains almost unchanged, and no revision has been made in the so-called "directives" to the banks requesting restraint in advances policy. On the other hand, it is equally clear that the move cannot be dismissed as of merely technical significance.

The technical aspects, however, are certainly of high importance. Since commercial bank lending rates are related to Bank rate proper, the existence of the Bank's Special rate had the effect of producing a wide spread between rates charged to commercial borrowers and those

charged to the Government on Treasury bills. The resultant anomaly was even more clearly shown in the margin between the 3 per cent rate for first class commercial bills and the $2\frac{1}{4}$ per cent rate that has been general for Treasury bills. (The implications of this particular distortion were fully analysed in an article in *The Economist* three weeks ago.) But the narrowing of these gaps in order to make the Bank rate more effective could have been secured either by reducing Bank rate or by raising the Special rate. To satisfy the purely technical objective of promoting a more flexible and more normal market, the Bank had to impart either an upward or a downward twist to at least part of the whole rate structure.

It has chosen the latter, and thereby brings about automatically a reduction in the rates charged for the majority of bank advances—excluding those to personal and business borrowers whose loans are running at rates that, though technically based on Bank rate, are subject to high minimum charges. The very fact that there was this impact upon advances rates has caused some softening of rates elsewhere. But since the Bank's move was not a simple cut of $\frac{1}{2}$ per cent in its own rates, the clearing banks seem to have decided to reduce by only $\frac{1}{4}$ per cent the rates that are under their own control. Deposit allowances are

GILT EDGED NET PRICES

	Nov. 8, 1951	Mar. 13, 1952	June 24, 1952	April 15, 1953	Sept. 16, 1953	Sept. 17, 1953
2½% N.W. Bonds, 52/54	100½	98½	98½	99½	100½	100½
1½% Ser. Fund., Nov., '54	100	97	96½	98½	99½	99½
3½% Ser. Fund., Nov., '55	100	97	96½	98½	99½	99½
2½% N.W. Bonds, 54/56	102½	97½	95½	99½	99½	100½
2½% Exch., Feb., '55	101½	97½	96½	99½	99½	99½
3% Sav. Bonds, 55/55	95½	89½	86	94½	96½	96½
2½% Funding, 56/61	96½	90	88½	95½	97½	97½
4% Funding, 60/90	103½	95½	94	99	100½	100½
3% Sav. Bonds, 65/75	88½	80½	77½	85½	86½	87½
3% Funding, 66/68	92½	85	82½	91	93½	93½
3% Elect., 74/77	88½	79½	77½	85½	86½	87½
3½% Elect., 76/79	94½	85½	84	91½	91½	92½
3% Trans., 78/88	82½	74½	72½	80½	81½	83
3% Gas, 90/95	81½	73½	72	80½	81½	83
3½% War Loan after '52	85½	76½	72½	79½	82½	84½
2½% Consols	64½	58½	55½	60½	61½	63½
2½% Treasury	63½	56½	53½	59½	61½	63½
Financial Times Ind. Share Index	131.8	108.9	103.1	124.6	123.2	124.8

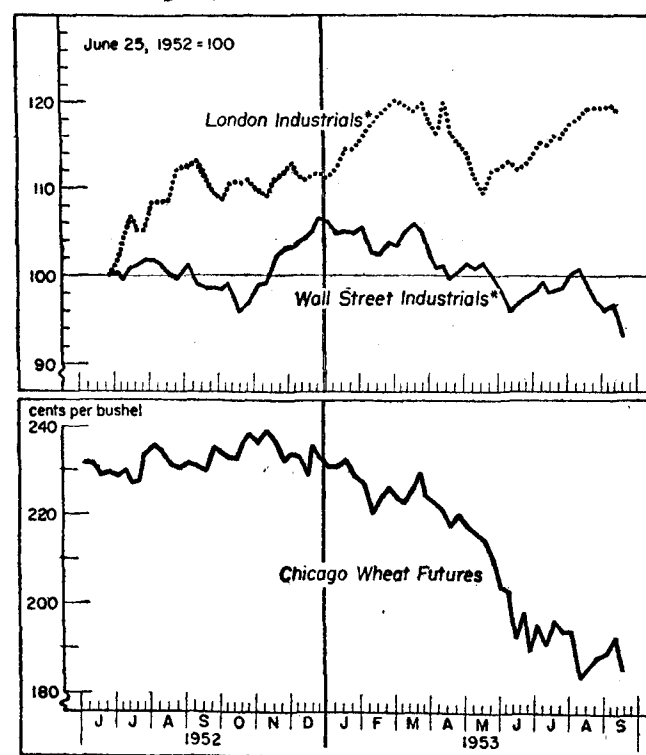
apparently to be fixed at $1\frac{1}{2}$ per cent, instead of 2 per cent, and rates charged for call loans against Treasury bills are likely to move similarly. The commercial bill rate will, of course, fall more sharply, and may be allowed to become a flexible instead of a pegged rate. But, in either case, the unnatural margin over the Treasury bill rate will be narrowed.

All this, in short, is an important contribution to normality in the rate structure, and will undoubtedly increase the Bank's freedom for manoeuvre. But it is idle to pretend that it is wholly technical, and does not betoken a feeling of greater confidence. The stock markets, however, seem in their first response to have put too much emphasis upon the confidence ingredient and too little upon the technical. Gilt-edged prices were marked up immediately and, despite the uncertainties about the technical implications, they climbed even faster. At the close on Thursday, the whole list had been lifted substantially, with the gains in the longer dated and irredeemable stocks ranging up to $1\frac{1}{2}$.

Tale of Two Markets

FOR the industrial sector of the stock markets the news of the reduction in Bank rate came as the crowning feature of a hectic fortnight; the immediate consequence was that the *Financial Times* index of industrial ordinary shares rose by 1.6 points to 124.8, in Thursday's dealings. At the beginning of the fortnight some investors' optimism had seemed ready to take wings, while in the middle of it the news of the decline in Wall Street had overshadowed everything else. The underlying—and perhaps wistful—attitude in the markets is clearly that, if only the American economy could be relied upon to continue at its present high blast, the prospect for British industrial shares might at long last look bullish. Britain's internal balance of spending and earning does not now threaten any economic crisis this year; and—whatever else the reduction in Bank rate means—it is an understatement to say that the Government does not

LONDON, WALL STREET AND WHEAT



* *Financial Times* index for London industrials and Dow Jones index for Wall Street industrials, rebased on June 25, 1952 = 100.

now seem to see any reason for an immediate tightening of monetary policy. Thanks to the increase in industrial production (more than 7 per cent up in the period April-July compared with a year before) and to the re-opening of some Commonwealth markets, British companies' profits—when struck net of stock appreciation (and this is the calculation that matters in terms of dividend potentialities)—are probably as high as at any period since the war.

It is true that profits statements for financial years ending on December 31st, March 31st and even June 30th last have all shown average profits down by somewhere between 5 and 10 per cent. But that is because they have had to bear

Does your office stride through accounting routines... or hobble?



The Burroughs M200
Direct multiplication (answers calculated and printed automatically in one fast operation); automatic proof of accuracy; direct subtraction; entries fully described as desired—these are some of the features of this speedy multiplying accounting machine. Other styles of Typewriter-Accounting Machines are available for practically all accounting routines—sales, purchase and general ledgers, statistical applications, etc., with up to 21 totals if required.

**This incomparable Burroughs machine
handles complete routines—faster, and at less cost**

WHATEVER JOB THE OFFICE HAS ON HAND—stores records, cost accounting, payroll—the work normally divides itself into three distinct operations: calculating, posting or preparing, and checking.

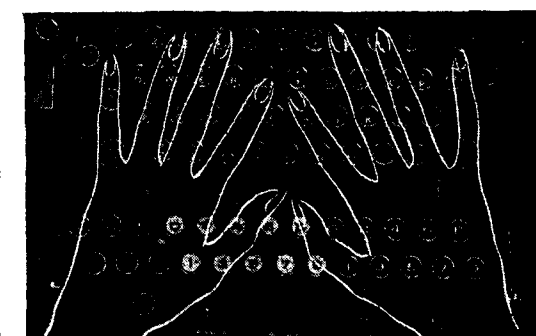
On Burroughs Multiplying Typewriter-Accounting Machines the three steps are cut to one. Calculating and posting are done as a single, continuous operation—with automatic proof of accuracy.

The potential saving in time (and cost!) is obvious. This unique machine, the only one available with direct multiplication, not repeated addition, accelerates the production of complete and accurate records—giving management timely figures without posting “peaks.” You owe it to your business to see it prove its efficiency in action. Call Burroughs today.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service Offices in principal cities.

For expert advice on business figuring

CALL IN Burroughs



Less waste—more speed. Illustrated here is the keyboard of a Burroughs M200 Multiplying Typewriter-Accounting Machine. The fact that all computing and typing keys can easily be spanned with two hands greatly reduces manual movements for the operator, and increases her speed and efficiency.



The sea in all its moods presents a barrier to world communications. A power barrier—for modern ships need power to overcome it. And the world relies on ships—and the supplies they bring—to fight poverty and raise living standards everywhere.

While you read this, THE BRUSH GROUP is helping mankind burst through this power barrier. Over the waters of the world, in tropical heat and Arctic cold, in storm and calm, ply ships propelled by diesel engines and using diesel-powered electrical generating plant—supplied by Associated British Oil Engines (Marine) Ltd., a member of THE BRUSH GROUP.

BRUSH through the Power Barrier

Every day THE BRUSH GROUP power units are speeding ships through the seven seas, to deliver more quickly—and so, more often—the food and capital goods the world so desperately needs.

THE BRUSH GROUP

Manufacturers of diesel engines and electrical equipment for agricultural, traction, industrial and marine purposes.

The Brush Electrical Engineering Co. Ltd. • Petters Ltd. • J. and H. McLaren Ltd.
The National Gas and Oil Engine Co. Ltd. • Mirreles, Bickerton and Day, Ltd.

DUKE'S COURT • DUKE STREET • ST. JAMES'S • LONDON S.W.1. • AND THROUGHOUT THE WORLD



the adverse experience of last summer's recession in the consumer goods and export trades. As this experience recedes into the past, it will not be surprising if most profits statements for the year to September 30th—at any rate those issued by producers of consumer goods—show profits at least equal to those in the preceding year; and, on the assumption that there is no American or world-wide trading recession, their statements for the present calendar year (and, still more, for the year to next March) could show both profits and dividends very significantly up. It was to pleasant musings of this sort that those in charge of the investment of institutional portfolios returned from their August holidays. It was not surprising therefore that by September 10th the *Financial Times* index of industrial ordinary shares had risen to 124.7, only 0.3 points below its previous 1953 high point of last March (just before Stalin died).

It was on September 10th, however, that Wall Street went into its nervous wobble, with the Dow Jones index of industrial stocks dropping by 3.8 per cent in the course of three working days; the index recovered more than a third of this loss in the next two days, but on Wednesday of this week it was still nearly 12 per cent below its high point of six months ago. At this stage the *Financial Times* index in London stood at 123.2. The reduction in the American Government's budget deficit, the signs of slackening demand for automobiles, and the fall in farm incomes—to which the accompanying chart, showing the movement in Chicago wheat prices, draws attention—are all causing nervousness about the business prospect across the Atlantic. Despite the Bank rate reduction and the immediate trend of British profits, the London market—which, as the chart shows, has been consistently stronger than Wall Street ever since it passed its low point in June last year—could still be jolted sharply back to nervousness, too.

A Bigger IMF?

THE bald official news from this year's meeting of the International Monetary Fund inevitably conjures up yet another variation upon a topical theme. Never have so many gone so far to achieve so little. It would perhaps be reasonable, as well as charitable, to assume that the many high authorities who went to Washington found reward for their journeys in the behind-the-scenes activities and discussions; but if these yielded useful results, the general public must still remain in the dark about them. What is known about the proceedings is that great emphasis was laid by spokesmen for the Fund upon the new facilities for stand-by credits. These are regarded as the answer to the criticism that access to the facilities of the Fund has been so hedged around with restrictions that the quotas did not add to the available volume of international reserves. If this criticism is really met by the new stand-by credits, then the Fund will indeed be coming into its own, and at a very appropriate moment. But Britain obviously thinks that something more is needed. At the Washington meeting, the British representative officially proposed an increase in members' quotas. This reflects a change in the British attitude towards the Fund—though it does no more than confirm hints already made in this country that the British

authorities regard the Fund as the channel through which the increase in international reserves needed for convertibility is most likely to be provided.

This view of the prerequisites of convertibility did, moreover, find indirect justification from another event at the Fund meeting—the categorical and almost brutal refusal by the official United States delegation even to consider the case for an increase in the world price of gold. This suggestion was once again put forward by the South African delegate. The debate on this issue opened no new vistas. The Governor of the South African Reserve Bank advanced the proposal on the ground that a higher price for gold would provide the most powerful contribution to the progress towards convertibility. He was answered by Mr Randolph Burgess with the familiar arguments that any tampering with the price of gold and with the dollar would focus attention on the wrong factors in the problem of disequilibrium in world balances of payments and would, in fact, be detrimental to the whole cause of convertibility by undermining the soundness of the dollar. Sound money is, in fact, the flag now firmly nailed to the American mast; it is significant that, at this IMF meeting, the official United States welcome to the Commonwealth Economic Plan was based on the fact that the plan emphasises the need for sound money and appropriate domestic policies in the countries concerned. This is playing for safety. Pending the publication of the Randall report next March, no American minister or official is going “to put a foot wrong” by showing in public any overt sympathy for a liberal and expansionist foreign economic policy. What was said by them in private on this issue may have been much more reassuring. But it is unlikely that it will have been reassuring enough to hold out the promise that the next Commonwealth Economic Conference—which is likely to be held in Australia in December—can be the source of great decisions.

Easier Australian Markets

THE Australian public, which last week was handed out £A118 million a year in tax concessions, has now been told that after October 1st it may spend £A45 million a year more on imports. The import relaxations follow the now familiar lines of an adjustment of the very stringent quotas imposed in March, 1952. “Category B” or less essential imports—most of them imports of consumer goods—are increased by one-quarter, from 40 to 50 per cent of imports in the base year 1950-51. “Category A” or more essential imports are increased by one-eighth, from 80 to 90 per cent of imports in 1950-51. These relaxations do not apply to imports from the dollar area or Japan, but it has been announced that permits for imports from Japan will be increased “in line with” imports from other non-dollar countries; presumably the intention here is to prune down restrictions rather than to raise Japanese quotas by flat percentage amounts. Finally—and this could be very important—a long list of items that are at present subject to administrative (which means, in effect, to rather haphazard) licensing will now be granted licences quite freely, provided importers can show that they will be able to lay hands on the goods concerned.

within a year. The list includes replacement parts for cars and for a wide variety of other manufactured goods, some raw materials (such as aluminium and nickel), cinema films, scientific instruments and various medicinal preparations.

It is difficult to say how the £A45 million of permitted new imports may be distributed among different exporting interests; but—as a very rough rule of thumb—most industries that benefited from the two previous and very similar essays at relaxation, in March and June last, can expect to benefit by about the same amount as on each of those occasions. This is good news for British exporters of textiles and motor cars. Thanks mainly to the previous relaxations, British exports of cars and motor chassis to Australia leapt from an average of between £800,000 and £900,000 in the period January-June to some £2,179,000 in July; this was a sudden upsurge in response to the relaxations rather than a level that is likely to be maintained, but perhaps a similar upsurge may be expected this winter. After the recent tax remissions the Australian market should be in a sufficiently inflationary state to take up most goods that can be offered to it, although much will depend here on the course of Australian protectionism. Mr Menzies, in announcing the relaxations, seemed to go out of his way to invite Australian industrialists to apply for tariff protection in place of the "import quotas" protection that is now being whittled down; he announced that membership of the Tariff Board has been increased from four to seven to enable it to deal expeditiously with the flood of applications from industrialists that is now expected.

Bank Advances Before and After

It is still, of course, too early to judge the effect of the reduction in Bank rate on the lending policies of the banks; for reasons explained in an earlier note, some borrowers will now automatically get their loans more cheaply, but the increase in borrowing may not be—and certainly for the health of the economy ought not to be—large. The latest return by the British Bankers' Association (for the three months to August) confirms earlier evidence

HOW MUCH DEPRECIATION?

The Economist Intelligence Unit compiles index numbers showing changes in the cost of replacing industrial and other assets. Indices available:—

Plant: chemical, electrical, food processing, machine tools, mechanical handling, printing, tanning, textile, foundry.

Also agricultural machinery, factory buildings, commercial vehicles, and office equipment.

A descriptive leaflet may be obtained from

THE ECONOMIST INTELLIGENCE UNIT,
22 Ryder Street, St. James's, London, S.W.1

that the downward trend in the supply of bank credit to private trade and industry, which began in the spring of 1952 but was interrupted in the early months of this year, was definitely re-established during this summer; but it also suggests that the latest decline was mainly of a seasonal character. The return shows that total advances fell by £76.6 million during June, July and August, to a total of £1,788.5 million. Within this decline, the public utilities group's borrowings fell by £34.2 million, or by only about half as much as the calls made during this period on the British Electricity Authority and Gas Council issues. As "personal and professional" advances fell by less than £2,000,000—exactly equal to their fall in the previous quarter, and far smaller than the reduction experienced in the quarters following the more stringent scrutiny that began in November, 1951—bank finance for private business dropped by £40.5 million. This followed two quarters of moderate expansion; but the fall was far less than that of £81.3 million experienced in June, July and August of last year.

Detailed examination of the lending to separate industrial groups confirms the impression that the decline was mainly seasonal. The largest fall was registered by the food, drink and tobacco group, down by £27.4 million to £118.5 million. Advances to retail trade fell by £13.1 million to £164.2 million—but this fall of 7½ per cent was only about half the drop experienced from May to August in 1952. The engineering industry reduced its bank loans for the second quarter in succession (by £13.1 million) and its outstanding bank borrowing is now below that of August of last year. Chemicals, cotton and nine other groups (including personal borrowers and public utilities) also recorded some fall in advances in the period. Increases were recorded by eleven groups. Among them, coal mining increased its borrowing by 28 per cent to £2.3 million, and the iron and steel industry increased its borrowing by £9.5 million; this brought total advances to the iron and steel industry to £61.3 million, almost double the £33.5 million outstanding a year ago. The moderate increases secured by the wool, building and other industrial groups in this slack season suggest that few businesses can now be really squeezed for credit. The economy is certainly in no state to return to a regime of easy lending; and it would be a gross misreading of this week's reduction in Bank rate to suppose that the Government has any such return in mind.

Federation and Board

STILL the investor awaits the first steel issue; the "early autumn" evidently has not yet arrived, but when it comes there may be the mellow glow of reduced Bank rate to shed its warmth, if not to promote an Indian summer in the markets. The degree of success of the early steel issues will go a long way towards determining how far the steel industry as a whole in this country will revert to private ownership and how large a proportion of it (on the best assumptions, it is likely to be a significant proportion) remains in public ownership.

These delays in embarking on the new share offers do not, however, concern other major areas of decision involving the steel industry. Of these, perhaps the most important



*"If it's Aluminium
- ask Almin!"*

The ALMIN GROUP produces

INGOTS & BILLETS • SAND & DIE-CASTINGS
BARS SECTIONS TUBES & FORGINGS
BUILDINGS & ENGINEERING STRUCTURES
CONTAINERS & FOOD EQUIPMENT

PARENT
COMPANY

ALMIN LIMITED

FARNHAM ROYAL • BUCKS • Telephone FARNHAM COMMON 595

WORKERS IN THE TEAM
Number 3 in a series



This thoughtful, sensitive face belongs to a craftsman. Walter Turner is a man for whom only first class work is good enough.

He started work with the Company in 1925 after serving his apprenticeship as a joiner. Today he is general foreman in charge of important work: and everyone knows that under Walter's eye even the smallest details will be attended to thoroughly.

He has shares in the Company—a privilege reserved for those who set an outstanding example. But his chief reward comes when a fine job has been done and its

quality is noticed: then, his face lights up.

He takes great pleasure in the Company's annual outings because there he meets old fellow-workers and they talk of past jobs tackled together. For all his work is shared. This is the real secret of the satisfaction he gets from life: good work done by a team of which he is one.



John Laing and Son Limited
Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka
Established in 1848

Marconi Television for Thailand



A B.O.A.C. Photograph

Thailand, the first country in South East Asia to install Television, has placed the order for its system with Marconi's Wireless Telegraph Company Ltd.

The order includes vision and sound transmitters, Marconi Image Orthicon television cameras and associated equipment.

The system will operate on the international 625 line standard.

This new order follows those gained by the Company for installations in Italy, South America, Canada and the U.S.A.

Marconi high or medium power transmitters and high-power aerials are installed in every one of the B.B.C.'s television transmitter stations.

MARCONI
television
transmitting
equipment

MARCONI'S WIRELESS TELEGRAPH COMPANY LTD., CHELMSFORD, ESSEX

is the future balance of forces between the Iron and Steel Board and the British Iron and Steel Federation. Sir Archibald Forbes and his colleagues at the Board are entrusted with the task of exercising the public interest in what the steel industry does; and no doubt one of the first stages of their work will be to decide upon the technical and statistical instruments that they will require for these duties—decisions which must inevitably involve the future of a good deal of the work that the Federation has hitherto carried out in formulating plans and computing costs and prices.

It is a good thing, when so many features in the higher policy and development of the industry are still in doubt, that the Federation should have appointed Mr Frederick Grant, QC, as its independent chairman—an office that had been vacant since the death of Sir Andrew Duncan. Mr Grant's experience in a position of eminence at the tax bar and as a member of the Monopolies Commission from 1949 to 1952 promises precisely the authority and the judicial approach that his new office demands. These qualities will equally be required in the Federation's relations with the Board; Mr Grant's appointment must be read as an indication that the Federation will neither willingly become a cipher nor that it will refuse any forms of helpful co-partnership with the Board.

Testing the Coal Guesses

FOR the last two months the National Coal Board's hope of beginning the coal winter with thin but probably sufficient distributed stocks has had to be based partly upon estimates of the coal that miners would have produced, if they had not been on holiday. That is inevitable in holiday months. But this year rather critical importance has attached to the estimates that have been made by comparing output this year, plus the estimated amounts lost through holidays, with the same figures last year. From the beginning of May to the end of August, for example, these calculations (which make no allowance for the loss of opencast coal through contractors' holidays) would suggest that the "potential output" of the industry was perhaps 120,000 tons a week higher than in the same period last year. This brand of figuring will receive its most important test in a week or two's time, when the miners' holidays have ceased to affect the figures. Last week, when holidays cost the exceptionally high amount of some 355,000 tons of coal, such calculations put the industry's "potential" total output no more than about 40,000 tons higher than a year before, though the notional "margin" for deep-mined output alone should be about 65,000 tons a week higher.

Notional coal and potential output does not fill the cellar. Moreover, the industry has lost about 4,000 men since the end of July—a thousand of them went in the first week of this month—so that a drain on manpower could upset the calculations. And the stakes in the gamble that the miners will produce enough more to build safe stocks during the next seven weeks are extremely high. The National Coal Board was saved from a full-dress inquiry last year by the Minister of Fuel and Power. It came safely through last winter; but any significant interruptions to supplies this winter could put it—and its protector—back into political

jeopardy. Moreover, the performance of the board and the minister are not judged by the figures of distributed stocks and the possible adequacy of stocks in industrial consumers' yards. Both will be judged by the stocks in merchants' depots and domestic consumers' cellars—that is, by stocks of large coal. Merchants' stocks are still dangerously low—about 1,150,000 tons against 1,500,000 tons last year, when merchants were already complaining—and consumers have bought no more coal this summer than they did twelve months earlier. The National Coal Board appears to have received most of the 400,000 tons of large coal that it decided to import this autumn from the Continent. Will it have to buy more?

Will Cinemas Close?

MR RANK'S statement that unless Entertainments Duty is reduced "many" of the Odeon group's cinemas will have to be closed should be taken seriously in Whitehall, where talk of closing cinemas has been disregarded before. Of the 550 cinemas in the Odeon and Gaumont-British circuits, Mr Rank said this week, 236 operated in 1952-53 at a loss totalling some £725,000 before charging interest on capital employed, but excluding profits on the sale of ice-cream and confectionery; even allowing for profits on such sales, these 236 cinemas would still show an aggregate net loss before charging interest. This implies that the other 314 cinemas in the group made profits from admissions and ancillary earnings somewhat exceeding the final figure of £2,855,444 shown as the group's net operating profit on exhibition in the British Isles; the group would have been better off, that is, without 40 per cent of its cinemas. Moreover, those net operating profits on British exhibition are more than 8 per cent down on the year (to June 27, 1953), while ancillary earnings in the group, though undisclosed, have probably been rising; so the decline in the profitability of the cinemas' primary business may be worse than these figures show. The actual magnitude of ancillary earnings in the industry has never been published, for understandable reasons. But while it remains hidden, its existence will always be quoted to put out of court the cinema trade's arguments about the insufficient profitability of showing films. To close cinemas down would—and perhaps will—be to make the trade's point in the hardest way.

Mr Rank had some equally pointed remarks to make about his group's film production, which showed a marked improvement in its financial fortunes on the year. The group showed a net profit of £350,000, following some years of losses, on "film production and distribution"; since distribution is a fairly stable and fairly profitable activity, the improvement was largely concentrated on production, though the aggregated figure does not make it clear whether a profit was actually made on production alone. This marked improvement, and that of the two preceding years, was due very largely, Mr Rank said, to receipts from the Eady levy (which the group pays as well as receives). He added that unless the trade could agree on a voluntary scheme to extend that levy, or the Board of Trade could fully outline a statutory levy scheme, "within the next month or so," the group

proposed to "reduce materially" its production programme following those films now on the floor and likely to be completed in the next couple of months.

Standard's Baby Car

THE Standard Motor Company gave details this week of its "baby" car. It will probably not be the only example of a small car in which a deliberate bid is made to keep costs down to the minimum. Sir John Black started a new trend in the motor industry by concentrating on one model only, the Vanguard, and he has stuck fairly consistently to this policy until now. The new baby car, with its spartan fittings, its woven plastic upholstery and its fixed boot (reached from inside) costs £339, or £481 with purchase tax. Fuel consumption is put at roughly 50 miles per gallon and the car's one luxury is a four-speed gear box, a refinement that several larger and more expensive cars cannot claim.

The present spread of prices for small British cars is intriguing. The Ford Anglia is still the cheapest of the 8-h.p. cars, costing £313 without tax, but it has been in production for so long that its costs can hardly be comparable with newer models. The second cheapest is the new Standard followed by the Austin A30, which costs £355 before tax and £504 with tax. Both the Standard and the Austin have four doors, while the Ford Anglia and the Morris Minor—costing £373, have two doors, although a four-door version of the Minor is available at extra cost. If it is fair to assume that few motorists who could afford a bigger car would buy a baby car, the difference of a few pounds in price may become the deciding factor in the competitive race for the small car market. The pace may become quicker when the Ford Motor Company shows its hand, as it is expected to do before the Motor Show.

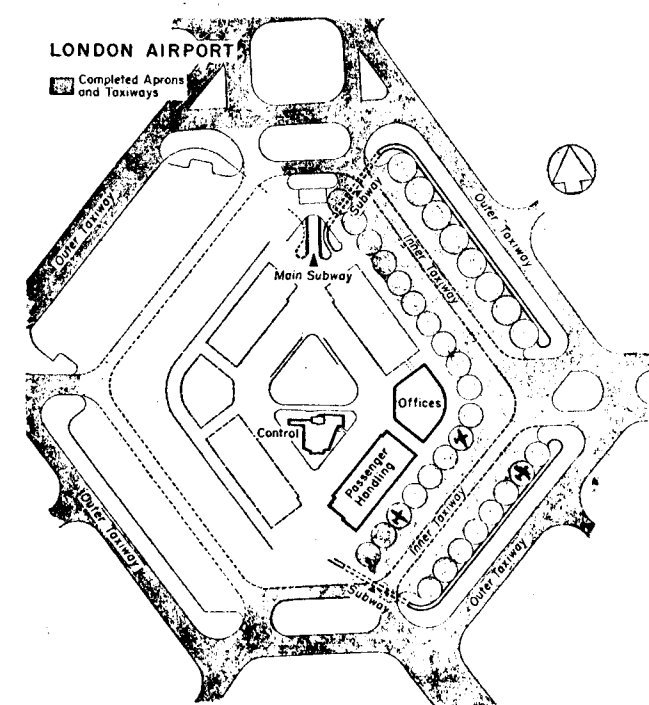
The baby Standard is the first new British car to be put into production unhampered from the start by restrictions on supplies of components or licensing of materials; indeed, it was not shown publicly until a production rate of 100 cars a day had been reached. This is being stepped up gradually to 300 a day, compared with about 200 for the Vanguard. The Standard company therefore seems to be pinning considerable faith on a successful entry into the small car market, with its keenly competitive conditions.

London Airport's Next Stage

THE Minister of Transport has described this week the plans for the main terminal buildings at London Airport. At present, the airport is little more than a system of runways and essential technical aids. Aircraft are housed in temporary hangars, staff in temporary offices, and passengers use temporary buildings. Some permanent hangars are under construction, and work has now started on the permanent buildings that will improve the amenities

of the airport—though they will perhaps not add much to its high standard of efficiency. The plan shows the new terminal area, which lies in the centre of a completed network of runways and is reached through a tunnel leading from the main road beneath the runways. Only a quarter of this central area is being developed; it will have a control tower, one building for handling passengers and baggage, and a second for offices, restaurants, and the inevitable public enclosures that, as a possible source of income, cannot be ignored. Aircraft will be parked on taxiways ringing this central area. When traffic is particularly heavy, and the inner taxi-ways are full, passengers will be taken in buses through a subway that goes beneath the inner taxi-ways to an outer ring.

The decision to make a start on these terminal buildings was taken because London Airport will shortly have to handle all the traffic now going through Northolt, which amounts to about 750,000 passengers a year to London's



half-million, and extra space will in any case be needed to accommodate them. The two airports are too close for comfort when large numbers of aircraft are being handled, and, for this reason alone, Northolt will have to be closed down for civil air operation. Supporters of the Gatwick extension argue that this makes the start of work at Gatwick a matter of urgency, since Gatwick will not merely be a diversionary airport for bad weather, but will also have to handle the peak summer traffic that London Airport is too small to accommodate.

London Airport when completed will cost about £26 million; the three new buildings including control tower equipment, lighting and services, are expected to cost £6½ million. It is expected that revenue should reach about £1½ million, and this will no more than equal estimated running costs, without allowing for interest and depreciation.

Price Arrangements for Home Grains

THE deficiency payments scheme for home-grown grains, to be introduced in time for next year's harvest, has wide implications for British farmers which are discussed in a leading article on page 761. Its incentive effects on quality production should be real. Its mechanics, however, are relatively simple. A standard price will be set for each of the four grains—wheat, barley, oats and rye—in the Ministry of Agriculture's annual review, as the guaranteed prices are set now; an escalator for wheat prices will be continued, to encourage farmers to spread their sales beyond the harvest peak. Farmers are free to sell in the open market at the best price they can secure. The merchants will make a return of all sales to the Ministry of Food, and from these returns the average price realised by all farmers for the four grains will be calculated. The deficiency between this average realised price and the standard price guaranteed by the Government will be made good to all farmers alike. For wheat and rye the farmer will receive the deficiency payment on the tonnage that he has sold. For barley and oats, which are heavily consumed on the farm, the deficiency payment per ton will be converted into a payment per acre grown.

A special arrangement is required for striking the average price for barley, which would otherwise be weighted against the grower of feed barley by the premiums obtained for high quality malting grades. The approximate margin between the price ranges of feeding and industrial barley is taken to be 1s. a hundredweight and the average price on which deficiency payments will be made will involve a double operation—first the deduction of a shilling from the average price realised for all barleys, and then the recalculation of the real average price, which will govern the actual deficiency payments, from all sales below that margin. For administrative convenience, however, the deficiency will be paid on all barley, so the grower of malting grades will receive a small windfall. Standard prices for wheat and rye (a negligible crop) will be the same in 1954 as the current guaranteed prices, namely 30s. 9d. and 25s. a cwt. The standard price for oats is 1s. 10d. higher at 24s. and for barley 6d. higher at 25s. 6d. a cwt. A similar system of deficiency payments was operated up to the war under the Wheat Act of 1932, the main difference being that the funds were provided by a levy on sales of flour. In 1938 the system was extended to oats and barley under the Agriculture Act of 1937, but for these grains funds came directly from the Exchequer, as they will for the new scheme in the first instance. The permanent financing and administration of the scheme has still to be decided.

Trade in August

WHAT happens to the trade figures in August is always at the mercy of the holidays. For those who worked, there were 25 working days, two fewer than July, but the seaside, not the quayside, is the dominant August note. The provisional trade figures show that both imports and exports fell identically by 12 per cent. Exports fell to

£198.1 million (fob) from the high level of £234.4 million in July, and imports dropped to £249.2 million (cif) from £293.0 million. Allowing for re-exports, a little higher at £8.8 million, the visible trade deficit was cut to £42.3 million from £50.0 million in July; it was nearly half the June figure of £80.0 million and only slightly above the deficit of £38.9 million in February, which had 24 working days. The fall in the daily rate of exports from £9 million in July to £8.3 million in August can be taken to reflect the holiday shutdown.

If July and August are taken together, they compare favourably with the averages for the first and second quarters of this year. The average of exports for the two months was £216.3 million, against £210.0 million in the second quarter and £208.5 million in the first. On the same basis, the average of imports was £271.1 million compared with £291.7 million for April-June and £272.4 million for January-March.

The fall of just over 12 per cent in exports to North America in August was in line with the total decline. Exports to the United States fell to £12.7 million from £15.2 million in July; there was a slightly larger fall of £3.1 million to £11.8 million in exports to Canada. Average total exports to North America for the two months, at £27.3 million, were £2.2 million below the average for the second quarter, although £3.2 million above the average for the first.

Fall in Jute

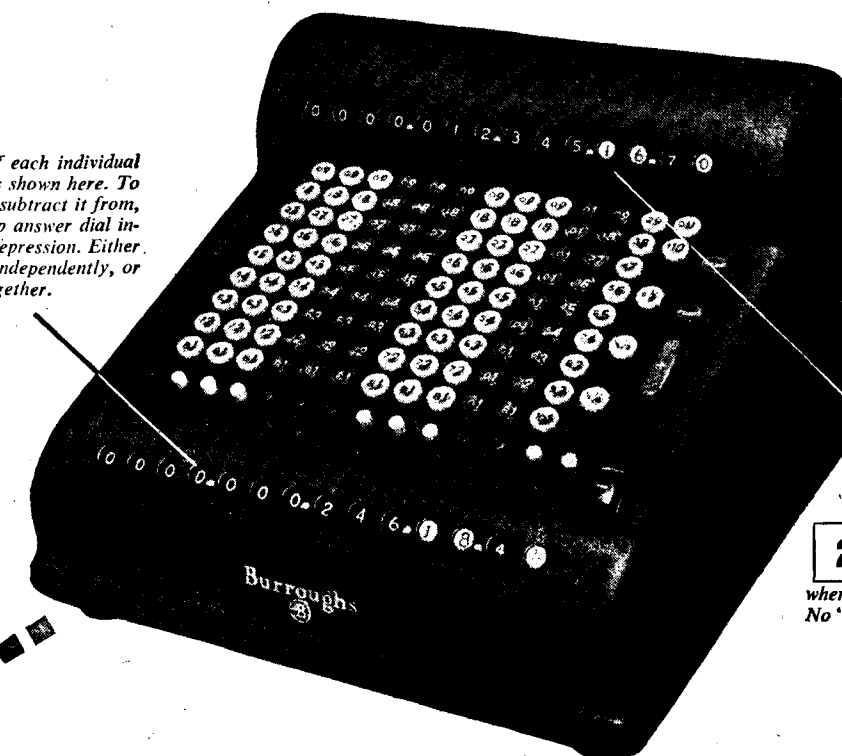
THE sweeping cut in the Indian export duty on hessian cloth is likely to weaken the price of raw jute still further. When the duty was £20 12s. 6d. a ton, European mills could just compete with Indian hessian in world markets. Now that the duty is only £9 a ton, Calcutta can probably undersell European mills by nearly 10 per cent. Prices of hessian in Calcutta had been drifting lower for some weeks in anticipation of a cut in the duty. The United States, the largest consumer, had made only spot or afloat purchases. Buyers have now withdrawn from the market for the time being, but there is probably a substantial potential demand at a little below the current price of about 70s. 9d. for 10 oz./40in. cloth per 100 yards, fob—Calcutta.

The raw jute market, which opened firmly when the season began last August at about £97 to £98 a ton for Firsts, cif UK/Continent, has fallen steadily in the last few weeks, and Firsts are now about £88 to £91 a ton. The initial firmness came mainly from local speculative buying on the prospect of a much smaller crop in Pakistan. Demand from most foreign consumers was poor, and is likely to diminish under the pressure of competition from Indian hessian.

This season's crop in Pakistan should amount to between 3½ and 4 million bales, compared with 7½ million bales in 1952-53. There is a carry-over of about 2½ million bales, but the bulk of this is low grade jute which is largely unsuitable for overseas markets. Exports from Pakistan last season totalled about 5.7 million bales, of which India took 1.4 million. As India has undertaken to buy between 1.8 and 2.5 million bales this year, it is possible that supplies in Pakistan will be small when the season ends.

Two answers for the price of one

1 The result of each individual calculation is shown here. To add it to, or subtract it from, the amount in the top answer dial involves only one key depression. Either dial can be cleared independently, or both dials cleared together.



2 The final answer—grand total or net result—appears automatically here when all calculations are complete. No "recapping" needed.

The calculator that cuts out "recapping" can save up to 40% of an operator's time!

On routine figure-work, it is the calculating machine that gets to the final answer with the lowest number of intervening steps that reduces operating costs. That is why this Burroughs is equipped with two answer dials—one for results of individual calculations, and one for grand totals or net results. One key depression clears a result from the front dial, and accumulates it automatically in the rear dial. The operator can take a total or net result at any time without re-entering any figures, without any "recapping."

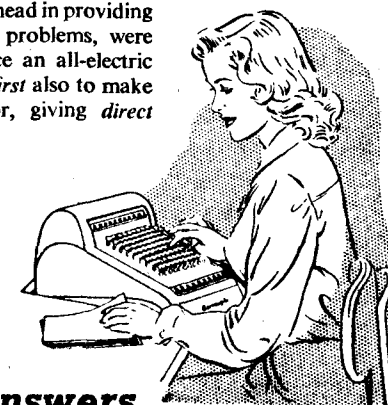
The savings in time (and cost!) are obvious. Whatever your problem—payroll, invoicing, stock records, analysis—you owe it to your business to let Burroughs show you how this speedy, all-electric machine (or any one of the wide range of Burroughs calculators) could be applied in your office. Call Burroughs today.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service Offices in principal cities.

TWO FIRSTS!



Burroughs, always ahead in providing answers to figuring problems, were the first to introduce an all-electric calculator, and the first also to make a Duplex calculator, giving direct subtraction.



Count on **Burroughs**

for straight answers

THE ORGANISATION OF

HENRY GARDNER
& CO. LTD.

(CAPITAL AND RESERVES, £2,000,000)

is associated with

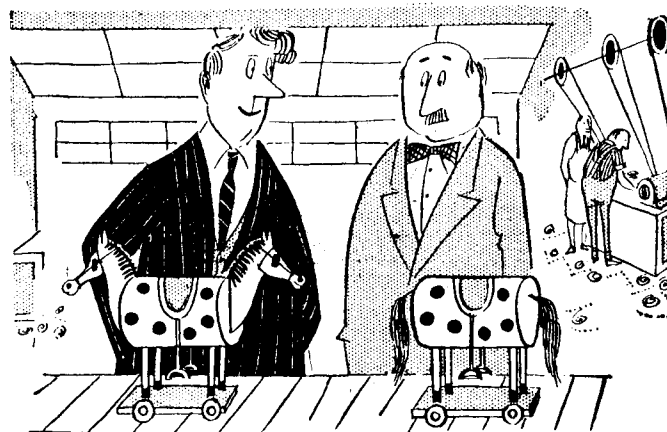
The British Metal Corporation (Pakistan) Ltd.,
Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya),
and C. Tennant Sons & Co., of New York, as well as with
the associates of The British Metal Corporation Ltd., London,
Australia, Canada, India, South Africa and Central Africa.

The Group provides manufac-
turers and producers of finished
articles and raw commodities
with an economical method
of marketing their products

throughout the world. Expert
knowledge in distribution and
salesmanship is available
through the various units of
the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE,
LONDON, E.C.3

TELEGRAMS CABLES TELEPHONE
Nonfermet Telex London Nonfermet London MANion House 4521 (10 lines)
Branches at BIRMINGHAM MANCHESTER and GLASGOW



"They had the same sort of trouble in the
Super Dreadnought works until they instal-
led Mazda lamps and lighting equipment."

When lights are low, production's slow
It pays to make your lighting stronger
Heads screwed on the right way know
That Mazda lamps stay brighter longer

Mazda



THE BRITISH THOMSON-HOUSTON CO. LTD.
(Member of the A.E.I. Group of Companies)

4421A



"Keep the Rome fires burning," ordered Nero

"We must have the fieriest furnaces of
all time if we're going to prevent production from
declining and falling. But I wish I hadn't to fiddle
about with these old-fashioned fuels—they're neither
safe nor efficient. We're just playing with fire.
If only I had oil fuel to work with—and Shell-Mex
and B.P. Ltd. to tell me how best to use it! It
peevs me to think that those backward Britons
are going to have the last word in industrial heating."

**CONTROLLED
HEAT
WITH
OIL FUEL**



INDUSTRIAL SERVICE



SHORTER NOTES

The Treasury has made one of its now customary con-
version offers to holders of the 3 per cent Defence Bonds
that mature between January 1 and June 30, 1954. These
holders are invited to continue to hold these bonds until
July 1, 1954—when they will be paid a full six months'
interest and the maturity premium of £1 per cent, and
then their bonds will be exchanged into the same amount
of 3½ per cent Defence Bonds (Conversion Issue). If this
offer is not accepted, by filling in the special forms, then
interest on the maturing bonds will stop on the tenth
anniversary of the date of purchase.

★

The new series of London wool sales opened firmly this
week. There was good competition, particularly from
Bradford buyers, to obtain these spot supplies well in
advance of arrivals from the primary markets. This was
most marked in the small offering of greasy crossbred wool,
supplies of which will not be arriving from New Zealand
until the end of the year. The price of good average cross-
bred carding wool, 48's/50, was about 77d. to 79d. per lb,

clean basis, compared with 73d. at the close of the last
series. Good merino topmaking wool, 64's was about 145d.
per lb clean, 5d. higher than the present landed price of
comparable qualities at the Australian auctions. Super
topmaking merino wool, at about 155d. per lb, was also
5d. dearer than the comparable landed price at the Aus-
tralian auctions.

★

After announcing that the company's interim equity
dividend would be maintained at 7½ per cent, the directors
of Associated Electrical Industries have announced their
intention of capitalising £8,870,596 from reserves in order
to make a scrip issue of one new £1 ordinary stock unit
for every one now in issue. For connoisseurs of the word-
ing of such scrip issues, and of the hints about dividend
disbursements that they can convey, the directors rely on
the studiously non-committal technique of the conditional
future tense. They announce that the issue "will not
affect earnings, and that on the assumption of the gross
amount paid as an ordinary dividend being unchanged the
dividend rate would be halved."

Company Notes

ODEON THEATRES. In the
last four years the revival in the fortunes
of the J. Arthur Rank Organisation has
in the main been attributable to a cutting
of the losses on film production and to the
reasonable stability in profits on exhibi-
tion in this country. In addition the group
has earned fairly high profits from its
manufacturing activities and from the
cinemas' ancillary services, such as the
sale of ice cream and advertising space
(which, for the first time, are specially and
separately mentioned by Mr Rank in his
comments on the group's trading results
for the year to June 27th last). In the
last financial year a loss of £146,515
on film production and distribution
was turned into a profit of £352,760;
this played a major part in
bringing about a further advance in
Odeon Theatres' operating profits (after
depreciation) from £5,047,104 to
£5,350,629. This rise in profits enabled
the company to pay off its pre-
ference dividend arrears (as a similar
advance in profits enabled the directors of
Gaumont-British to maintain the ordinary
dividend at 7½ per cent) and to reduce its
bank overdraft by another £971,740 to
£5,804,998, or about £10½ million lower
than it stood in June, 1949.

These figures make for a brighter show-
ing in the group's accounts, but Mr Rank's
detailed analysis of them is still sombre.
In the first place (as is explained in an
earlier Business Note) the profit on film
production was only achieved with the
help of the British Film Production Fund
—and recently the continuance of this
levy on cinema takings to help British film
producers has been in doubt. Secondly,
profits from the exhibition of films in this
country have been declining for two years,
largely as a result of competition from
television—which Mr Rank described as
"2,300,000 free theatres in people's
homes." Indeed, the group's total box-
office earnings fell from £30,018,278 to
£28,737,691 and profits from the exhibi-
tion of films in Britain from £3,202,764 to
£2,855,444. Basically, therefore, two
major problems still confront the Rank
organisation. First, it must keep a very
tight rein indeed on film production until
the future of the Eady levy is assured.
Secondly, it must decide, after the next
Budget, whether it can continue to afford
to run nearly half its cinemas at a loss—
particularly as it is faced with the likeli-
hood of extra capital expenditure on con-
verting some of its cinemas for the exhibi-
tion of Three-D or wide-screen films.

INTERNATIONAL TEA. The
International Tea group of grocery stores
and factories can look back with satisfac-
tion on the year to May 2nd last. The
group's trading profits rose from
£1,695,497 to £1,735,834; its stocks were
reduced in value by about £600,000 (to
£5,057,744); and the consequent rein-
forcement in liquid resources encouraged
the directors to raise the ordinary divi-
dend from 16 to 20 per cent—the first
increase in equity payments since 1947.
But, as the chairman of the group, Mr
Frank Wilson, makes clear in his statement
to shareholders, these were no easy suc-

	Years ended,	
	May 4, 1952	May 2, 1953
Consolidated earnings:—		
Trading profit.....	1,695,497	1,735,834
Total income.....	1,697,643	1,736,164
Depreciation.....	215,066	242,123
Taxation.....	791,453	838,877
Net profit.....	692,189	657,391
Ordinary dividends....	130,200	168,563
Ordinary dividends (per cent).....	16	20
General reserve.....	303,816	244,533
Added to group carry forward.....	6,538	5,312
Consolidated balance sheet:—		
Fixed assets, less depre- ciation.....	5,347,039	5,493,609
Net current assets.....	5,056,427	5,212,330
Stocks.....	5,674,955	5,057,744
Cash.....	296,308	645,182
Bank overdrafts.....	208,648	75,000
Reserves.....	5,244,639	5,546,525
Ordinary capital.....	1,550,000	1,550,000
5s. ordinary stock at 18s. 6d. yields 5 8s. per cent.		

cesses, and they do not warrant any com-
placency about the future.

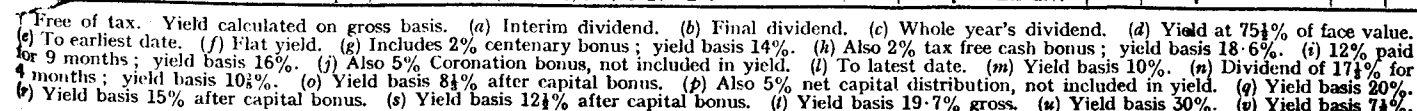
In the first place, the increase in turn-
over (which underlay the increase in
profits) took place only because the com-
pany was willing—and in some cases was
forced—to accept lower profit margins.
As the rise in prices was checked and as
costs continued to increase, these margins
—particularly on "many high tonnage and
high priced commodities"—were progres-
sively squeezed. Indeed, Mr Wilson goes
so far as to say that the advance in profits
is "meagre" when set against the increase

OPERATING PROFITS OF ODEON THEATRES*

	1949-50	1950-51	1951-52	1952-53
Exhibition in Britain.....	2,809,372	3,525,246	3,202,764	2,855,444
Exhibition overseas.....	260,573	268,548	465,004	410,698
Film production and distribution.....	Dr. 2,137,991	Dr. 1,314,829	Dr. 146,515	352,760
Manufacturing.....	265,256	809,947	1,055,771	1,263,513
Film studios, etc.....	338,159	232,079	171,340	193,254
Miscellaneous activities.....	222,655	217,844	298,740	274,960
Total profit.....	1,758,024	3,738,835	5,047,104	5,350,629

* Operating profits are shown after charging depreciation.

in equity payments was due merely to a tax rebate, which, in itself, holds out no firm promise that the bonus will be consolidated into total dividends next year. But, as the increased dividend is covered about three times by net profits, there seems to be no reason why this consolidation should not take place. It would not be surprising if some other producers of equipment that was very vulnerable to the recession of 1952—and that would, of course, be equally vulnerable to any future recession—have some pleasant surprises for shareholders in their accounting periods to August and September of this year.



Statistics

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

BRITISH			OVERSEAS		
Prices and Wages.....	Sept. 5th	Western Europe :	Production and Trade.....	Sept. 5th	
Production and Consumption	Sept. 12th	British Commonwealth	Sept. 12th		
Manpower.....	This week	Western Europe :	Prices and Money Supply	This week	
External Trade.....	Aug. 29th	United States	Aug. 29th		
Financial Statistics	This week				
Industrial Profits	Aug. 1st				

Manpower in Great Britain

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	June	July	Aug.	May	June	July	Aug.
TOTAL MANPOWER (1)											
Working population :											
Total	'000s	22,954	23,228	23,294	23,294	23,297	23,379	23,325	23,325	23,352	...
Men	"	15,678	15,791	15,864	15,864	15,865	15,902	15,867	15,862	15,864	...
Women	"	7,276	7,437	7,430	7,430	7,432	7,477	7,458	7,463	7,488	...
Armed Forces.....											
Total	"	690	827	872	872	872	871	867	865	865	...
Civil employment											
Total	"	21,993	22,214	22,119	22,119	22,107	22,173	22,167	22,190	22,214	...
Agriculture, forestry and fishing.....	"	1,161	1,139	1,112	1,112	1,122	1,137	1,087	1,092	1,102	...
Mining and quarrying.....	"	852	856	875	875	876	877	877	876	874	...
Building and contracting.....	"	1,434	1,449	1,435	1,435	1,430	1,433	1,447	1,448	1,440	...
Distributive trades.....	"	2,571	2,600	2,616	2,616	2,623	2,634	2,638	2,641	2,649	...
Public administration.....	"	1,362	1,350	1,336	1,336	1,335	1,322	1,320	1,320	1,319	...
Manufacturing industries.....	"	8,510	8,736	8,626	8,626	8,590	8,624	8,724	8,723	8,732	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950 :											
Employees in engineering(2).....	'000s	—	+ 103	+ 212	+ 212	+ 196	+ 209	+ 189	+ 183	...	...
" " consumer goods industries(2).....	"	—	+ 74	+ 126	+ 126	+ 142	+ 124	+ 6	+ 12	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	'000s	314.2	252.9	414.2	440.1	393.5	403.6	340.3	297.7	272.7	293.5
" " —men	"	220.1	161.5	227.8	223.1	210.0	221.3	193.6	179.7	170.9	190.9
" " —women	"	94.1	91.4	186.4	217.0	183.5	182.3	126.0	104.2	93.0	102.6
Temporary or under 2 weeks—men.....	"	59.2	49.8	87.8	102.4	86.8	82.1	66.9	60.0	56.4	58.1
" " —women.....	"	33.8	37.7	94.7	128.6	97.4	92.2	43.0	35.6	32.9	39.1
Over 8 weeks—men.....	"	105.3	73.2	85.9	76.3	80.6	86.3	102.2	90.7	87.2	86.3
" " —women.....	"	32.5	27.9	50.2	48.7	51.7	51.8	50.7	42.8	38.7	34.9
By industry (1):											
Textiles.....	%	0.6	0.8	8.6	15.3	10.9	9.2	1.4	1.2	1.0	1.0
Clothing.....	"	1.1	1.7	2.9	3.6	3.2	2.8	1.2	1.5	1.3	1.2
Vehicles.....	"	0.8	0.5	0.7	0.7	0.8	0.8	0.7	0.6	0.6	0.6
Engineering, etc.....	"	1.5	1.0	1.4	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	0.2
Distributive trades.....	"	1.2	1.1	1.5	1.3	1.3	1.4	1.5	1.3	1.2	1.2
By regions (1):											
Great Britain.....	"	1.5	1.2	2.0	2.1	1.9	1.9	1.6	1.4	1.3	1.4
London and South Eastern.....	"	1.1	0.9	1.3	1.2	1.1	1.2	1.2	1.0	0.9	1.0
Eastern.....	"	1.2	0.9	1.3	1.1	1.0	1.2	1.3	0.9	0.8	0.9
Southern.....	"	1.4	1.1	1.4	1.2	1.1	1.1	1.4	1.1	0.9	1.1
South Western.....	"	1.4	1.2	1.5	1.2	1.2	1.3	1.6	1.3	1.2	1.3
Midland.....	"	0.5	0.4	0.9	1.0	0.9	1.0	1.2	1.0	0.9	0.9
North Midland.....	"	0.6	0.5	1.0	1.1	1.0	1.0	0.7	0.6	0.5	0.6
East and West Ridings.....	"	0.9	0.9	1.9	2.3	1.9	1.7	1.2	1.1	1.0	1.1
North Western.....	"	1.6	1.2	3.6	4.9	3.9	4.0	2.1	1.8	1.7	2.2
Northern.....	"	2.8	2.2	2.6	2.3	2.2	2.6	2.3	2.1	1.9	2.2
Wales.....	"	3.7	2.7	2.9	2.6	2.6	2.7	3.1	2.8	2.5	2.8
Scotland.....	"	3.0	2.5	3.3	3.2	3.2	3.1	3.0	2.7	2.6	2.7
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	347	313	230	305	309	297	281	296	326	...
Men	"	190	208	131	194	191	184	154	157	171	...
Women	"	157	105	99	111	118	113	127	139	155	...
DISPUTES (1)											
Workers involved.....											
Total	'000s	25	32	35	58	17	39	17	22	13	...
Working days lost :											
Total	"	116	141	149	203	272	167	32	60	48,296	...
Mining and quarrying.....	"	36	29	55	57	17	83	14	31	8,095	...
Engineering, etc.....	"	24	43	66	113	233	58	8	24	...	...
Other industries and services.....	"	55	69	28	33	22	26	10	5	...	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision in jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number 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.....												
March.....	236	108	137	157	161	146	130	97	136	152	141	107
April.....	231	106	136	156	160	153	130	96	134	152	140	108
May.....	234	106	135	157	160	166	130	96	135	152	140	108
June.....	242	106	135	155	159	180	...	97	134	152	140	106
July.....	239	106	134	...	...	185	...	...	...	152	139	...
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	128	122	120	103
1952.....	217	106	123	145	110	146	119	114	128	133	129	109
1953.....												
March.....	210	105	...	145	109	148	...	116	128	135	130	110
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	...
July.....	197	105	123	144	108	...	...	...	...	135	...	...
IMPORT PRICES (2) (1948 = 100)												
1938.....	...	27	40	7	39	...	39	1	24	32	45	21
1951.....	241	120	133	187	127	...	128	112	131	127	145	91
1952.....	250	116	130	182	121	...	129	109	131	132	152	92
1953.....												
February.....	259	113	121*	167*	112	...	124	106	116	128	143*	96
March.....	235	114	...	...	110	...	124	103	120	134	...	87
April.....	246	112	...	...	107	...	124	104	117	119	...	84
May.....	277	...	...	...	108	...	125	103	117	133	141	88
June.....	299	...	...	...	105	...	...	...	119	124	...	...
EXPORT PRICES (3) (1948 = 100)												
1938.....	...	25	40	6	51	...	37	1	25	32	42	24
1951.....	233	120	109	146	122	...	123	110	115	137	155	128
1952.....	263	120	114	158	131	...	126	107	117	136	154	122
1953.....												
February.....	220	107	111*	151*	127	...	126	110	112	115	138*	114
March.....	215	107	...	...	125	...	124	111	108	117	...	113
April.....	219	103	...	...	124	...	117	106	114	109	...	108
May.....	255	100	...	...	122	...	116	108	108	121	137	111
June.....	261	...	...	...	124	...	...	...	107	116	...	...
CURRENCY IN CIRCULATION (4)												
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	1,17

Financial Statistics

EXCHEQUER RETURNS

For the week ended Sept. 12th there was an "above-line" deficit (after allowing for Sinking Funds) of £20,206,000 compared with a deficit of £23,950,000 in the previous week and a deficit of £31,190,000 in the corresponding period last year, raising the cumulative deficit to £227,768,000 (£297,994,000 in 1952-53). Net expenditure "below-line" absorbed £9,426,000, bringing the total cumulative deficit to £438,974,000 (£571,703,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Sept. 13, 1952	April 1, 1953 to Sept. 12, 1953	Week ended Sept. 12, 1952	Week ended Sept. 12, 1953
Ord. Revenue					
Income Tax	1782,250	453,139	427,792	9,899	8,699
Sur-tax	127,000	30,500	30,700	500	1,000
Death Duties	160,000	66,900	74,600	1,700	2,900
Stamps	52,000	22,550	23,900	1,100	800
Profits Tax & E.P.T.	214,000	176,800	93,500	7,500	5,000
Excess Profits Levy	99,500	...	29,550	...	1,600
Special Contribution and other	1,000	880	430	...	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	2435,750	750,769	680,472	20,699	19,999
Customs	1044,300	468,784	476,627	22,706	21,298
Excise	680,480	330,023	327,573	4,090	4,130
Total Customs and Excise	1724,780	798,807	804,200	26,796	25,428
Motor Duties	69,000	11,763	13,345	...	202
P.O. (net receipts)	2,685	...	2,500	...	700
Broadcast Licences	16,000	4,050	4,750	...	...
Sundry Loans	25,000	18,758	19,284	...	50
Miscell.	95,000	33,954	51,757	1,253	162
Total	4368,215	1618,101	1576,308	48,748	46,541
Ord. Expenditure					
Debt Interest	615,000	265,990	266,700	4,359	4,548
Payments to N.I.	...	...	...	...	...
Ireland Exchequer	48,000	17,192	20,848	...	...
Other Cons. Fund.	10,000	4,547	4,814	9	416
Supply Services	586,286	1612,311	1495,492	74,800	61,100
Total	4259,286	1900,040	1787,853	79,168	66,064
Sinking Funds	...	16,055	16,223	770	683
'Above-line' Surplus or Deficit		297,994	227,768	31190	20206
"Below-line" Net Expenditure		273,709	211,206	7,902	9,426
Total Surplus or Deficit		-571,703	-438,974	-39,082	-29632
Net Receipts from:					
Tax Reserve Certificates	57,172	109,717	1,243	5,959	...
Savings Certificates	9,300	10,600	350	800	...
Defence Bonds	38,360	28,507	6,010	1,773	...

FLOATING DEBT

(£ million)

Date	Treasury Bills	Ways and Means Advances	Total Floating Debt
	Tender	Public Depts.	Bank of England
1952			
Sept. 13	3,070.0	1,479.9	288.7
1953			
June 20	3,180.0	1,385.0	277.6
" 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	3,350.0	1,422.7	241.8
" 29	3,350.0	1,407.6	229.3
Sept. 5	3,370.0	1,414.0	219.2
" 11	3,400.0	1,395.8	251.7

THE MONEY MARKET

THE "unification" of Bank rate—the rate at which the Bank of England will discount approved bills of exchange—with the special rate at which it is willing to lend against Treasury bills was announced after the meeting of the Bank Court on Thursday. It was achieved by lowering Bank rate from 4 per cent to 3½ per cent, while leaving the special lending rate against Treasury bills unchanged. Reactions in the money market to this change will be discussed in this column next week: our usual table below shows the rates that were ruling before the change, on September 16th.

Before the change Lombard Street had been experiencing a tight week. Although the authorities did not leave the market "on its own" the special buyer's operations were limited and calculated to maintain a marked stringency.

The stringency in credit supplies and the maintenance of the bill offer at the record level of £300 million led the market to reduce its bid by 1d. to £99 8s. at last week's tender. As applications fell by £7 million, the market's quota rose from 66 to 68 per cent of its bid, and the average rate of discount rose by nearly 4½d. to £2 7s. 11.85d. The offer at yesterday's tender was reduced to £280 million, but the excess of new bills will remain at £30 million.

The Bank return shows a reflux of notes of only £2.4 million. After allowing for an increase in government securities in the banking department and a fall in public accounts, bankers' deposits rose by £9.7 million.

London Money Rates on Sept. 16

Bank rate (from 2½% 11/3/52)	%	Discount rates	%
Bank bills: 60 days	3	Bank bills: 3 months	3
Deposit rates (max)	2	Bank bills: 4 months	3½
Bank bills: 3 months	2	Bank bills: 6 months	3½
Bank bills: 4 months	2		
Bank bills: 6 months	2		
Money Day-to-day	2-2½	Fine trade bills: 3 months	4-5
Short periods	2-2½	Fine trade bills: 4 months	4½-5
Treasury bills 2 months	2½	Fine trade bills: 6 months	4½-5
Treasury bills 3 months	2½		

* It was this rate, applicable to seven-day loans against approved bills of exchange and bonds that was lowered to 3½ per cent at noon on Thursday; for loans against Treasury bills the rate remains at 3½ per cent.

BANK OF ENGLAND RETURNS

(£ million)

	1952	1953
	Sept. 17	Sept. 9 Sept. 18
Issue Department:		
Notes in circulation	1,446.8	1,540.4
Notes in banking dept.	53.6	35.0
Govt. debt and securities	1,496.7	1,571.8
Other securities	0.7	0.7
Gold coin and bullion	2.9	2.9
Banking Department:		
Deposits:		
Public accounts	18.9	14.7
Treasury special account	24.2	19.9
Bankers	276.9	275.8
Others	65.3	67.8
Total	385.3	378.2
Securities:		
Government	317.7	337.7
Discounts and advances	15.0	8.0
Other	16.0	13.5
Total	348.7	359.2
Banking department reserve	55.1	37.4
"Proportion"	14.3	9.9

* 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			
Sept. 12	260.0	308.9	260.0
1953			
May 8	240.0	347.4	240.0
" 15	250.0	345.8	250.0
" 22	250.0	347.3	250.0
" 29	260.0	346.9	260.0
June 5	270.0	339.3	270.0
" 12	270.0	353.1	270.0
" 19	270.0	360.1	250.0
" 26	250.0	327.4	250.0
July 3	250.0	334.1	250.0
" 10	260.0	353.4	260.0
" 17	250.0	385.7	250.0
" 24	240.0	375.6	240.0
" 31	250.0	395.5	250.0
Aug. 7	260.0	369.6	260.0
" 14	270.0	347.9	270.0
" 21	270.0	358.2	270.0
" 28	280.0	370.2	280.0
Sept. 4	300.0	394.6	300.0
" 11	300.0	388.0	300.0

* On Sept. 11th tenders for 91 day bills at £99 8s. 0d. secured about 68 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £280 million.

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot
	Sept. 16	Sept. 10 Sept. 11 Sept. 12 Sept. 14 Sept. 15 Sept. 16
United States \$	2.78-2.82	2.80-2.80 2.80-2.80 2.79-2.79 2.79-2.79 2.80-2.80 2.79-2.80
Canadian \$	2.76-2.76	2.76-2.76 2.76-2.76 2.75-2.75 2.75-2.75 2.75-2.75 2.75-2.75
French Fr.	972.65-987.35	975-975 975-975 975-975 975-975 975-975 975-975
Swiss Fr.	12.15-12.35	12.16-12.17 12.16-12.17 12.16-12.17 12.16-12.17 12.16-12.17 12.16-12.17
Belgian Fr.	138.95-141.05	140.05-140.15 140.05-140.15 140.05-140.15 140.05-140.15 140.05-140.15 140.05-140.15
Dutch Gld.	10.56-10.72	10.59-10.59 10.59-10.59 10.59-10.59 10.59-10.59 10.59-10.59 10.59-10.59
W. Ger. D-Mk.	11.67-11.84	11.68-11.68 11.68-11.68 11.67-11.68 11.67-11.68 11.67-11.68 11.67-11.68
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	14.45-14.45 14.45-14.45 14.45-14.45 14.45-14.45 14.45-14.45 14.45-14.45
Danish Kr.	19.19-19.48	19.34-19.34 19.34-19.35 19.34-19.35 19.34-19.35 19.34-19.35 19.34-19.35
Norwegian Kr.	19.85-20.15	19.98-19.98 19.98-19.99 19.98-19.99 19.98-19.99 19.98-19.99 19.98-19.99
One Month Forward Rates		
United States \$	1-1/2 c. pm	1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm
Canadian \$	1-1/2 c. pm	1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm
French Fr.	5-8 dis	5-8 dis 5-8 dis 5-8 dis 5-8 dis 5-8 dis 5-8 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.	1-1/2 c. pm	1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm
Dutch Gld.	1-1/2 c. pm	1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm 1-1/2 c. pm
Swedish Kr.	26 pm-26 dis	26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis
Danish Kr.	26 pm-26 dis	26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis
Norwegian Kr.	26 pm-26 dis	26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis 26 pm-26 dis

A MEMBER OF THE THREE BANKS GROUP



WILLIAMS DEACON'S
BANK LTD.

Williams Deacon's Bank Ltd. originated in 1771 and has always been closely associated with the industrial and commercial life of the North of England. The Governing Office is in Manchester, so long a centre of the export trade, and the Bank's world-wide connections enable it to further this trade, now more than ever of the greatest importance in the life of the nation. In London the Bank was one of the first Members of the London Clearing House. Williams Deacon's is a Member Bank of the Three Banks Group.



ROYAL BANK OF SCOTLAND
Founded 1727. Edinburgh, London & branches

GLYN, MILLS & CO.
Founded 1753. London

WILLIAMS DEACON'S BANK LTD.
Founded 1771. Manchester, London and branches

ALLIANCE

ASSURANCE COMPANY LIMITED



Established

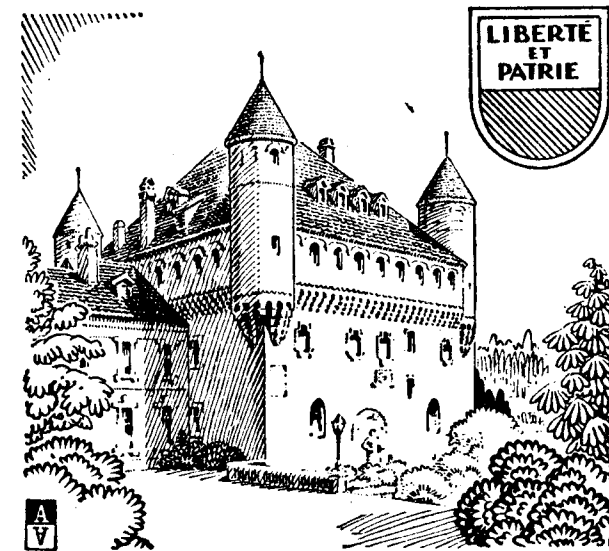
1824

Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL
CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.

Perhaps you
didn't know that
LAUSANNE



seat of the Federal Court of Justice, boasts of a 22 storied skyscraper plus roof-restaurant, which is in strange contrast to the lovely Burgundian Gothic Cathedral, and the mediaeval Piedmontese style Castle of St. Maire?

But everybody
knows

that Lausanne, famous for its University and educational establishments, patronised by Kings and commoners from the corners of the earth, is also an important holiday resort and centre of commerce. The Lausanne Branch of the Union Bank of Switzerland is always prepared to give prompt and efficient service.

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:

UNIONBANQUE



**Ten million
families
put their faith in
HOME SERVICE
INSURANCE**

Issued by the
Industrial Life Offices

WE'RE INVITING INVESTMENTS

and this is why!

More houses are going up. More purchasers are asking building societies for advances to pay for them.

In the first six months of 1953 this Society agreed to lend £3,804,000 for the purchase of 2,582 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.**

City Office:
163, MOORGATE, E.C.2.

ASSETS £80,000,000
75 BRANCHES

BRITISH MATCH CORPORATION, LIMITED

MONOPOLIES COMMISSION REPORT: MISLEADING IMPRESSIONS

POSITION ACHIEVED BY COMPETITIVE SUCCESS

THE HON. HUGH KINDERSLEY'S STATEMENT

The twenty-sixth annual general meeting of the British Match Corporation, Limited, was held on September 16th in London, the Hon. Hugh K. M. Kindersley, CBE, MC, the chairman, presiding.

The following is the chairman's statement, which had been circulated with the report and accounts:

Since our last annual general meeting, Mr Arthur Hacking, OBE, has had to resign his appointments as chairman of the Corporation and of its principal subsidiary, Bryant and May, Limited, owing to continued ill-health. Mr Hacking had been a member of the board since the formation of the Corporation and had taken a large part in the management of the group. I am sure you will share our regret at losing his services and will wish him improved health in his retirement.

At March 31, 1953, Mr Harald O. Agrell resigned his appointment as joint managing director, but I am happy to say that he remains on the board, and we shall continue to have the benefit of his invaluable experience. Mr Joseph H. G. Reed, your other joint managing director, was appointed deputy chairman as from January 1, 1953. In these circumstances the board decided that new managing directors should not be appointed.

HOME TRADE

During the year under review we were able to import substantial quantities of timber and to maintain the production and sales of matches at approximately the same level. The importation of matches from Western Europe was once more placed on open general licence as from March 25, 1953.

OVERSEAS INVESTMENTS

Your overseas investments continue to be satisfactory on the whole. In most of the markets in which we are interested there was, however, some recession in demand during the last nine months of 1952; since then we have been glad to note a tendency in most of the markets concerned for the demand to improve.

A special mention should perhaps be made of your Canadian interests, from which we received during the year dividends totalling nearly Can.\$250,000. In present circumstances this is a welcome contribution towards the hard currency resources of this country.

ACCOUNTS

In his statement last year, Mr Hacking drew attention to the considerable influence which the Brazilian rate of exchange has upon the profits brought into the group. The official rate at that time was still Cr.\$52.416 to the £, although the prospect of remittance of dividends was uncertain. In March, 1953, however, a free exchange market was established in Brazil, through which remittance

of dividends has been allowed. By March 31, 1953, the free rate had fallen to approximately Cr.\$120 to the £, a depreciation of about 129 per cent by comparison with the official rate.

This depreciation is responsible for the reduction in the net profits of the group shown in the consolidated profit and loss account. It has also given rise to a loss on exchange of £442,526 on conversion into sterling of the net current assets of your Brazilian investment. As explained in the notes annexed to the accounts, this loss has been charged to the exchange adjustment account.

You will notice that in the consolidated profit and loss account the balances proposed to be carried forward are reduced by £163,501 to £1,380,633. This reduction arises from the fact that a substantial proportion of the balances brought forward at the beginning of the year has been capitalised by one of our subsidiary companies.

Following an actuarial report on the Brymay Pension Fund, the contributions made by the Corporation and its subsidiaries have been increased since April 1, 1953, in order to bring the total contributions into line with the benefits receivable by the members. In addition a series of annual payments is to be made to the Fund, the first of which is shown in the consolidated profit and loss account.

REPORT OF THE MONOPOLIES COMMISSION

On March 1, 1949, the President of the Board of Trade referred to the Monopolies and Restrictive Practices Commission, the Supply and Export of Matches, and the Supply of Match-making Machinery. The Report of the Commission was published on May 13, 1953. In the year which has elapsed since the last evidence was given changed conditions have rendered out of date much of the contents of the report.

On June 18, 1953, the President of the Board of Trade stated in the House of Commons that he proposed to explore the possibility of removing some of the obstacles to competition in the match industry. He added that some of the steps he was contemplating called for consultation with the British Match Corporation. These consultations are proceeding and, therefore, it would not at this stage be right for me to discuss them, or any alternative action which might be taken by the President or by ourselves.

We remain free, however, to express our opinion on the body of the Report and to attempt to correct the misleading impression created by its presentation. On June 19, 1953, we sent a letter and memorandum to the Board of Trade giving them our views on the report and expressing our opinion that the Corporation have been unfairly criticised both in the Report and, in consequence, by the press.

On June 25, 1953, we invited the press to

a conference, at which we placed before them certain facts which showed the match industry in a different light. As a result of this conference most of the responsible newspapers published articles drawing attention to those major elements in the situation which had been ignored or given insufficient emphasis in the Report of the Monopolies Commission. The truth cannot be too widely known and I therefore make no apology for returning to the subject.

The Report drew attention to the fact that about 30 per cent of the ordinary stock of the Corporation is held by The Swedish Match Company. This has, of course, been public knowledge ever since the Corporation was formed in 1927. The Swedish Match Company does not control the Corporation nor has it ever attempted to do so.

The remaining 70 per cent of the ordinary stock is widely held and of the 9,544 ordinary stockholders to whom the final dividend will be paid there are 8,290 whose holdings do not exceed £500 stock.

The Report has alleged that our profits have at times been high. We have emphasised to the Board of Trade that the rates of profit in the match industry in this country since the war are not high compared with those earned by industry in general and we do not accept as valid the grounds on which that allegation was made. We maintain that in order to remain healthy an industry must be able to earn fair profits. The Commission, by using historical costs as a yardstick and rejecting a fair assessment of working capital, have over-stated the rate of profit earned by the match industry.

FACTS ABOUT THE MATCH INDUSTRY

Some important features of the match trade are not fully appreciated by the general public:

(1) In 1939 a box of matches cost 1d. Since then the duty has been trebled but the price has only doubled.

(2) The Exchequer takes more than 1d. in duty out of every 2d. the public pay for a box of matches. The duty referred to brings to the Exchequer £12 million per annum—40 times as much as the taxed profits of the principal match manufacturers and importers.

(3) Unless the duty on matches is reduced there is little or no prospect of the general public being able to buy matches more cheaply than they can now. In fact, the President of the Board of Trade said in Parliament on June 18, 1953: "The Commission's Report makes it clear that any measures which may be taken can, in the nature of things, have only a slight effect, either on the economy or on the individual."

(4) The Report says there is little or no competition. Last year 1,064,697 gross boxes of competitive matches were imported

into this country, partly from behind the Iron Curtain, where politics and the need for foreign exchange count for more than normal commercial profits. Although the Corporation is quite prepared to meet fair competition, the fact remains that the potential dumping is enormous. In accordance with our undertaking to the Board of Trade we maintain our own average contents at 47 matches but boxes are now being imported by our competitors containing 43 matches, saving the importers about 1s. 2d. per gross in duty because of the reduced contents. For these matches the public are induced to pay 2d. per box.

There have been two competitors manufacturing in this country for 20 years and they had no complaints to make to the Commission of the way in which the Corporation had treated them. The Corporation has supplied timber to these competitors without profit, and continues to do so.

(5) The Report alleges that our costs have "at certain times" been high, but it shows that the costs of our competitors in this country have been higher than ours, and so have those of our overseas companies. There is no other comparison available.

(6) There is nothing whatever to prevent competitors, at home or abroad, from making matches and selling them in this country. If our costs, prices and profits had been too high, others would have come into the market.

Ignorance of these facts has caused the industry to be judged unfairly by the public and the more widely stockholders can make these facts known the better they will be serving their own and the Corporation's interests.

HICKING PENTECOST & CO., LIMITED

The seventh annual general meeting of Hicking Pentecost & Co., Limited, was held on September 17th at the Victoria Station Hotel, Nottingham, Mr Leonard S. Pentecost, the chairman, presiding.

The following are extracts from his circulated statement:

The net profit of the group, before taxation, again shows an increase over the previous year. Taxation also shows an increase, partly owing to the impact of Excess Profits Levy. After meeting this liability the net profit for the year (available for distribution) amounts to £97,858.

Our total turnover for the year constituted a record for the company. Your directors have felt justified in recommending a dividend of 15 per cent which represents a small increase over that paid in 1952 and leaves a satisfactory sum to be ploughed back into the business.

We are continuing our policy of steady expansion and are equipping ourselves with the most modern plant to deal with fabrics manufactured from the various new synthetic yarns. Our plant for dyeing and finishing goods made from nylon has been fully occupied and we are fully prepared for processing fabrics made from the new Terylene yarn when this comes through in larger quantities next year.

Whilst we must be ready to accept growing competition, trading conditions would appear to be more stable than at the same time last year and we feel that we are well equipped to deal in a competitive manner with whatever comes along.

The report and accounts were unanimously adopted.

A COMPETITIVE SUCCESS

The British Match Corporation has achieved its position by being a competitive success and not by restrictive practices. We are proud of our record:

(a) We have built up an industry threatened with extinction by dumping so that, when the war came, there were matches to be had.

(b) We have expanded our British sales from 8½ million gross boxes in 1927 to 13 million in 1952, and this on a static total market.

(c) We have, by manufacture and import, provided a wide range of matches second to none in quality.

(d) We have never created an artificial scarcity.

(e) We leave the trade free to buy where it likes and sell at what price it likes and have no black lists.

(f) We have built up interests in the Commonwealth and abroad, where our trade is twice as large as at home, and from which this country has received, since the war, overseas currency averaging about £300,000 per annum.

(g) We employ over 3,000 persons at good wages, in good conditions and without industrial strife.

APPRECIATION

In conclusion I should like to express to the directors of the operating companies and to all our staff and workpeople, both at home and overseas, sincere appreciation of their loyal and conscientious services throughout the year.

The report and accounts were adopted.

SWEARS & WELLS, LIMITED

IMPROVED TRADING RESULTS

The twenty-sixth ordinary annual general meeting of Swears & Wells, Limited, was held on September 15th in London, Mr Cyril J. Ross, OBE (chairman and joint managing director), presiding.

The following is an extract from his circulated statement to January 31, 1953:

Improved trading results were obtained in the various sections of the company's business. The consolidated profit and loss account shows a profit of £421,034 and compares with last year's figure of £310,370. The directors recommend an ordinary dividend at the rate of 10 per cent for the year, compared with 5 per cent in the previous year.

In retail fur trading, your company continues to hold its leading position. The company's policy of continuing to specialise in the fur trade in branches situated in the principal towns, in conjunction with its production activities, has enabled it to maintain its position as the largest furriers.

The company's fur dressing and dyeing works in a "Development Area" of Wales is now fully established and their product, which is greatly sought after, has been available for the export as well as for the home market. In the company's Fashion Section, which comprises branches in practically every larger town throughout Great Britain, turnover has been maintained. The company's interests in departmental stores continue to prove profitable.

With regard to trading conditions in the current year, there is every reason to anticipate a maintenance of the good results.

The report and accounts were adopted.

NIGERIAN ELECTRICITY SUPPLY CORPORATION

The twenty-fourth annual general meeting of the Nigerian Electricity Supply Corporation, Limited, was held on September 15th in London, Mr George Hemmant, CMG, chairman, presiding.

The following is an extract from the chairman's review:

I have pleasure in reviewing the work and results of the year ended on February 28, 1953, as shown in the directors' report and accounts which have been submitted to you.

The increase from £231,959 to £274,782 in the revenue from power sales was due to a combination of favourable circumstances. The annual dry season was not unduly prolonged, and the additional water impounded at Tenti, where the height of the dam had been raised in the previous year, proved to be sufficient to provide power up to the end of the dry season without any restriction of power consumption. In the two preceding years it was necessary towards the end of the dry season to restrict consumption but such restriction should become unnecessary in any normal year when the second Jekko power station, now approaching completion, is in operation.

HIGHER RATES

During the year under review power rates were raised and the higher rates coincided with a considerably increased demand for power by all consumers. The increase in the revenue from power sales due to these favourable conditions amounted to £43,000 and was made up thus:

The increase in the number of units sold realised £17,000
The increase in the rates for power realised £26,000

The number of units sold rose from 54,830,619 in the previous year to 59,503,037 in the year under review—an increase of 4,672,418 or 8½ per cent. Bulk sales to the Electricity Corporation of Nigeria increased by 20 per cent and have doubled in the last five years. They still represent only 9 per cent of our total power sales.

Operational costs rose by £11,000, of which £9,000 was due to increased expenditure on wages and materials. An additional £10,000 has been provided for depreciation, and the appropriation of £20,000 to plant replacement reserve of last year has been repeated. The usual dividend and bonus are recommended and the balance carried forward will be increased by £16,000.

JEKKO POWER STATION

Turning to the balance sheet it will be noted that fixed assets have risen by £120,067 to £1,326,349. This increase was due primarily to the construction of the new Jekko power station. Work on this construction, which had been interrupted by delay in the delivery of the heavy plant from this country, was resumed at the beginning of the year under review, and good progress has been made without further interruption. Unless the unforeseen happens the station should be in operation in November.

Relations with consumers have been most cordial and their co-operation has been of great value to the board and to our manager and his staff.

The good results in the year under review could not have been obtained without the loyal and efficient services of our manager, Mr H. P. Brace, and his European and African staff in Nigeria, and our thanks are due to them and to our secretary and his staff in London.

The report and accounts were adopted.

CONSOLIDATED SISAL ESTATES OF EAST AFRICA

A SATISFACTORY WORKING PERIOD

The seventeenth annual general meeting of the Consolidated Sisal Estates of East Africa Limited was held on September 15th in London, Major T. E. Baring, OBE, presiding in the absence of the chairman, Mr N. C. S. Bosanquet.

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

The profit and loss account and the balance sheet of this company for the year ended March, 1953, disclose the trading results of a full year in which the substantially reduced selling prices of sisal fibre are reflected. Comparing 1952-53 with 1951-52 our sales, averaging £116 per ton, are £60 per ton below the average selling price of the previous year. This means that our total proceeds of sales are less this year by £326,000 in spite of the increase in crop harvested.

After providing for depreciation and taxation the profit for the year is £147,525 and we have a total of £172,688 to deal with. We paid an interim dividend of 7½ per cent in January last costing £9,844. We have placed £90,000 to general reserve, £10,000 to a special reserve for Excess Profits Levy, and we propose a final dividend of 3½ per cent costing £44,687, making 40 per cent for the year, and to carry forward the balance of £18,157.

This last twelve months has been a satisfactory working period as far as the estates are concerned. To begin with we have again had an increase in crop and at 6,961 tons we are over 500 tons in excess of the previous year and slightly better than the estimate which we gave you when we last met. This improvement in production would have given us even better results if climatic conditions and sun scorch had not militated against a high percentage of the higher grade of fibre being turned out.

Taxation again takes an enormous slice of our earnings; a sum of £5,000 in excess of the authorised and issued capital of the company, increased to £265,000 by the necessary provision of an additional reserve for Excess Profits Levy which may overtake us next year.

CAPITAL EXPENDITURE

On capital account we spent £122,000 last year. While that sum is £50,000 less than the capital expenditure in 1951-52, it by no means signals the end of our capital requirements, which continue to demand attention and expenditure. On development we are spending less money this year on opening new land, the bulk of expenditure in that department going towards the upkeep of young areas, but improvements and additions in factories and machinery are a running expenditure which reflect the increase in crops which we now enjoy following the development and rotation methods which we have consistently practised on these estates.

The current year has started reasonably well. Our estimate of 7,800 tons of fibre yield, I hope, be realised. To the end of July, that is four months of our financial year, we have harvested 2,496 tons of fibre.

Our report tells you of the forward sales which have been made. The selling price of No. 1 is holding fairly steady at £90. Our cost of production is slightly down, but it is here that we must concentrate attention with the object of widening the margin between cost and selling price.

The report was adopted.

INTERNATIONAL TEA COMPANY'S STORES

INCREASED TURNOVER

The annual general meeting of The International Tea Company's Stores, Limited, will be held on October 6th in London.

The following are extracts from the annual review of the chairman, Mr Frank Wilson:

A substantial advance in turnover enables me to report a small increase in the group trading profit of approximately £40,000 to £1,735,834. The group net profit, after providing for increased tax liabilities and a larger sum to cover depreciation, is slightly lower at £557,391. We propose to transfer the sum of £200,000 to general reserve, making a total for the group of £244,533, and to transfer the sum of £10,000 to the future staff pensions reserve.

We feel that the improved liquid condition of assets enables us this year to recommend the payment of a final dividend of 11 per cent, making 16 per cent for the year, plus a bonus of 4 per cent on this occasion, making a total distribution of 20 per cent. The bonus is the first increase since the year 1947, a small recognition of the forbearance of our ordinary stockholders, who throughout the period have watched profits being ploughed back into the business.

It must be admitted that during the years since 1947 nearly all sections of the public have enjoyed some increase in income, whether earned or State-provided, and we feel that our recommendation is justified not only from the point of view of recognition previously referred to, but also because so many members of our staff throughout the group have invested a part of their savings in the business. These appropriations enable us to increase the carry-forward on the group profit and loss account by £5,312. Our financial position is sound. I am confident that the actions taken and the recommendations made by the board will meet with the approval of our stockholders.

A SOUND BUSINESS

We are satisfied that the type of business we carry on under the "International" name is sound and more than holding its own in the territory covered by our branches. In the "John, Quality" and "Payantake" sections we are continuing to carry out conversions of existing branches to self-service. Wherever self-service has been introduced we have been successful.

The results of the "George Mason" section are indicating that the steps taken by us in connection with the business are proving successful. Much more must yet be done, and we are looking forward to still greater improvements. Our factories produced increased profits which helped considerably in our final figures. Our transport department has continued to render most excellent service and our fleet of lorries and vans is well maintained.

It is with a sense of great pride that I repeat that all directors, departmental directors and senior executives of the "International" commenced in the business on the lowest rung of the ladder, and gradually they have won promotion to their present positions. I feel it is essential in these times that men in control of large businesses should have knowledge and experience of the job they are called upon to carry out.

I thank all members of our staff, office, warehouse, factory, transport, and especially those at the retail branches who keep our good name so high with our customers, for the hard work they put in at all times.

ALLIED INDUSTRIAL SERVICES, LIMITED

MR W. H. RHODES ON THE CONTINUED PROGRESS

The nineteenth annual general meeting of Allied Industrial Services Limited will be held on October 7th in Bradford.

The following is an extract from the circulated statement by the chairman, Mr W. H. Rhodes, CBE:

During the year the combined output of your various factories and plants has been in excess of any previous year.

The net profit of your company for the year, after providing £326,516 for taxation, amounts to £191,238, to which sum has to be added a further £25,045 in respect of previous years' taxation adjustments. The proposed final dividend of 17½ per cent when aggregated with the interim dividend paid last February will result in an increase of approximately £24,500 net for distribution to the ordinary shareholders.

Last May the authorised capital was increased to £1 million by the creation of 1,200,000 ordinary shares of 5s. each, and at the same time the issued ordinary share capital was brought up to £700,000 by the capitalisation of £235,937 10s. from general reserves.

During the past year capital expenditure on buildings, plant and vehicles amounted to £23,000.

Despite extended holidays in some industries, our July and August output equalled that of the corresponding months in 1952, and in the absence of unforeseen circumstances I am hopeful that the total output will be maintained.

BEAUTILITY FURNITURE

The twenty-second annual general meeting of Beauty Furniture Limited was held on September 14th in London, Mr Herbert E. Down, FCA (the chairman), presiding.

The following are extracts from his circulated review for the year ended March 31, 1953:

Turnover shows a further increase, but net profit, £264,962, is reduced by £31,242, compared with the preceding year. This reduction was foreshadowed in my survey last year, when I referred to the increased wages and to further increased costs of production. Taxation absorbs £159,764, a reduction of £10,910 compared with the preceding year, and includes a provision of £20,000 for excess profits levy. £50,000 has been added to general reserve, compared with £30,000 in the previous year. Total capital and reserves amount to £739,766, which is an increase during the year of £67,354.

During the year we have expended £65,550 on fixed assets, and the charge for depreciation is £42,198, compared with £42,185. During the current year we have again before us a substantial programme of capital expenditure. Current assets at £1,052,503 show a surplus over current liabilities of £600,651, compared with a surplus of £556,819 in the preceding year. It is proposed to pay a final dividend of 25 per cent, making 40 per cent for the year.

During the year the utility scheme of furniture has been replaced by the "D" scheme, under which your company's productions attract Purchase Tax. I am happy to say that this has not affected turnover or our policy of continual improvement in the value offered to customers.

The report was adopted.

WESTERN MINING CORPORATION LIMITED

MR G. LINDESAY CLARK'S REVIEW

The twentieth annual ordinary general meeting of Western Mining Corporation Limited was held on September 10th in Melbourne.

Mr G. Lindesay Clark, BSc, MME (the chairman) presided and said: This company has been testing the areas in Western Australia to the South of the Golden Mile by diamond drilling for a repetition of the Kalgoorlie system, of ore veins. The recently issued annual report and statement of accounts review the information obtained to June, 1953. Four holes have been drilled, and the data obtained so far has confirmed the initial interpretations of the geology of the area.

(The figures quoted are in Australian currency.)

Net profit for the year was £189,255 compared with the £73,906 earned in the previous year. This was mainly due to additional dividends received from Central Norseman Gold Corporation NL from which we received £164,063 compared with £32,812 in 1951-52. Dividends received from Gold Mines of Kalgoorlie (Aust.) Limited amounted to £28,889, compared with £28,867 in 1951-52.

The net profit carried to the credit of appropriation accounts amounted to £189,255. This amount, together with the balance brought forward, £488,876, gave a total to the credit of appropriation accounts of £678,131. Taxation amounted to £4,098 and dividends Nos. 10 and 11 each of 6d. per stock unit, which were paid on August 22, 1952, and February 27, 1953, took £139,718 and left a balance to be carried forward to the credit of appropriation accounts of £534,315. Since the close of the year dividend No. 12, also of 6d. per stock unit, and taking £69,859, has been declared and was paid on August 21, 1953.

In order to pay off the residue of the Western Mining Corporation loan and provide extra working capital, a rights issue at par to shareholders of New Coolgardie Gold Mines NL, on a basis of one share for each five now held, is being made by New Coolgardie Gold Mines NL. Western Mining Corporation is entitled to rights to 106,400 shares from this issue. Arrangements have been completed to sell these rights, which will leave Western Mining Corporation still holding 52 per cent of the shares of New Coolgardie Gold Mines NL.

Additional finance is needed by Great Western Consolidated NL to carry out an expedited development programme. This has been provided on loan by the company's bankers, the loan being guaranteed by Western Mining Corporation Limited. In return for giving this guarantee, Western Mining Corporation Limited is to receive the option to subscribe for 500,000 ten shilling shares at a price of eight shillings each for a period of five years from May 25, 1953. This option supersedes the previous option granted to Western Mining Corporation Limited.

Over the last few years output has been increased and the mines have been mechanised wherever possible. This has offset considerably the inevitable effect of basic wage increases against an almost static gold price.

The chairman then reviewed in detail the mining developments, and continued:

For some time the board has thought that the affairs of the Corporation would be more balanced if it engaged in the mining of other metals in addition to gold. In times of inflation, economic conditions move against gold while other metals tend to be buoyant during such periods. It may be that development of uranium resources would provide a means of putting this policy into effect. The board will accordingly endeavour to acquire a uranium prospect warranting development.

The report was adopted.

KALGOORLIE SOUTHERN GOLD MINES NO LIABILITY

The third annual ordinary general meeting of Kalgoorlie Southern Gold Mines No Liability was held on September 9th, in Melbourne.

Mr G. Lindesay Clark, BSc, MME (the chairman) presided and said: This company has been testing the areas in Western Australia to the South of the Golden Mile by diamond drilling for a repetition of the Kalgoorlie system, of ore veins. The recently issued annual report and statement of accounts review the information obtained to June, 1953. Four holes have been drilled, and the data obtained so far has confirmed the initial interpretations of the geology of the area.

The importance of this prospect, and the encouraging present phase of the investigation, warrant the following summary of the geological interpretation of the data so far assembled.

The Kalgoorlie Syncline, on either side of which the eastern and western Golden Mile lode systems occur, has been located in all drill holes as it pitches southwards beneath Black Flag sediments, and a new fold, the Cavalier Syncline and Anticline, has been revealed by holes SE3 and SE4 to be forming to the west of the Kalgoorlie Syncline. This seems to follow the pattern typical of the whole Kalgoorlie field, and it, as seems likely, the Cavalier folding gains in strength going south, the Cavalier Syncline could be the host of a major ore occurrence.

The main ore bearing areas on the Golden Mile are surrounded by two types of altered rock, first a bleached quartz dolerite greenstone, and then, beyond this, a much more extensive zone of quartz dolerite greenstone. These features would be expected to surround any southern repetition of the Kalgoorlie orebodies, and well-developed faulting should also be present.

The drilling so far carried out has proved that quartz dolerite greenstone, showing some bleaching and a general similarity to the host rock of the Kalgoorlie ore system, lies below the Black Flag sediments in the area drilled. There is therefore every encouragement to continue the testing. Hole SE3 encountered, in the Black Flag sediments, brecciated and bleached material with strong shearing. Some gold has been found in the drill cores, and although nothing of economic value has been cut, it is significant in indicating the presence of gold mineralisation in the country tested.

The discovery of the Cavalier fold means there are three main possibilities: Firstly the first major ore repetition may be in the Kalgoorlie folding; secondly, it may lie further south in the Cavalier fold, or thirdly, a smaller but important ore position may be found in the Kalgoorlie folding, with the prospect of a major repetition occurring further south in the Cavalier Syncline.

Hole SE4 is now being extended to test under the interesting section disclosed by Hole SE3. It is then proposed to make another test of the Kalgoorlie folding further south, starting the drilling far enough west to obtain a preliminary test of the Cavalier Syncline.

The report was adopted.

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.

GOLD MINES OF KALGOORLIE (AUST.)

ACQUISITION OF PARINGA LEASES

The second annual ordinary general meeting of Gold Mines of Kalgoorlie (Aust.) Limited was held on September 9th in Melbourne.

Mr G. Lindesay Clark, BSc, MME (the chairman), presided and, after paying tribute to the memory of the late chairman, Sir Walter Massy-Greene, in the course of his speech said:

(The figures quoted are in Australian currency.)

The balance to the credit of appropriation accounts at March 31, 1952, was £40,067, which, after crediting net profit of £164,319, made a total of £204,386. Loss on realisation of equipment, £5,639 was debited to this account, together with £96,055 for dividends Nos. 2 and 3 of 9d. and 6d. per stock unit respectively, leaving a balance of £102,692 to be carried forward. A further dividend, No. 4, of 9d. has just been declared, and will be paid on November 6, 1953.

Average working costs at 72.23s. per ton were 6.99s. per ton higher than for 1951-52, and more than offset the additional revenue received from the rise in grade, working profit per ton having declined from 22.82s. in 1951-52 to 20.67s. in the year under review. Gross profit is therefore £15,478 lower at £178,656, and net profit, which was £180,616 in 1951-52, was £164,319 for year just ended.

Gold Producers' Association Limited sold gold relating to the full year's production and actual and estimated receipts from this source are included in the accounts at £42,255, equivalent to 17.3s. per fine ounce of gold produced.

Development for the year totalled 9,142 ft, of which 2,990 ft, or 32.7 per cent of the total footage, was in ore averaging 9.2 dwts over 64 in. These results are reflected in the ore reserves, which were estimated at 579,000 tons, averaging 6.5 dwts per ton, compared with 486,000 tons, averaging 6.3 dwts, at March 25, 1952.

Favourable developments have continued since the close of the year. Of 2,466 ft of development completed, 713 ft, or 29 per cent, was in ore averaging 11.5 dwts over 65 in.

The most important event during the year was the acquisition of the Paringa leases. The orebodies in the Paringa leases can be worked much more economically as part of Gold Mines of Kalgoorlie than they could be by the Paringa Company operating alone. In consequence, we expect that substantial tonnages from known lodes will be profitable for this company to mine. In addition, these leases bring under the control of Gold Mines of Kalgoorlie (Aust.) Limited most of the north-easterly extensions of the productive part of the Kalgoorlie field.

Our geological section has had continuously in hand the analysis of the conditions under which ore occurs in Kalgoorlie. Marked progress has been made over the last year. One of the features which has emerged is that the vicinity of the contact between the quartz dolerite and the calc schist in the Brownhill Syncline, and particularly along the eastern flank, is potentially a larger source of ore than had previously been thought.

In consequence of the added ore potential the output has been increased to 15,000 tons per four-weekly period, which is well within the capacity of the plant.

The report was adopted.



COSSOR, famed as English pioneers in radar and leaders in electronics, found after tests elsewhere that Halifax is the ideal location for their Canadian plant.

So also has another leading English firm, Fairey Aviation, selected Halifax for its Canadian counterpart, and already has close to eight hundred employees busily engaged.

Here are the attractions: low cost sites—versatile labour—ample supplies of cheap power and raw materials—nearest North American mainland port to the markets of the world. If you would like further facts write the Mayor.

MAYOR OF HALIFAX
CITY HALL • HALIFAX, CANADA

Are you



worthy

of

Craven?

SIR JAMES BARRIE in 'My Lady S. Nicotine' said: "When he was at school, Jimmy Moggridge smoked a cane-chair, and he has since said that from cane to ordinary mixtures was not so noticeable as the change from ordinary mixtures to the Arcadia. Were I anxious to prove Jimmy's statement, I would merely give you the only address at which the Arcadia is to be had. But that I will not do. It would be as rash as proposing a man with whom I am unacquainted for my club. You may not be worthy to smoke the Arcadia Mixture"—acknowledged by Sir James to be "no other than Craven Mixture".

Try CRAVEN

Your own appreciation of such rich, cool smoking luxury will prove you worthy of this fine tobacco.

Three deeply satisfying blends

Craven Mixture 4/7 oz.
Craven Empire de luxe Mixture 4/3 oz.
Craven Empire Curly Cut 4/4 oz.

53% of DAILY HERALD homes take no other national daily

The DAILY HERALD is seen every week-day in the homes of 6,750,000 people who are one-third better off today than pre-war (despite the increased cost of living) . . . In more than half these families two or more wage packets are taken home each week . . . and their total combined spendable income exceeds £1,000,000,000 a year.

No other newspaper, or combination of newspapers, appeals directly to all of them, for in the homes of 53% of DAILY HERALD families only one national daily newspaper—the DAILY HERALD—is taken and read.

Copies of QUANTIFICATION—a media-planner's guide to the better use of the DAILY HERALD—and copies of the first of a new series of Commodity Reports on the "Buying Habits and Purchasing Power of DAILY HERALD Readers"—Boot and Shoe Cleaners—will be sent on application. Other reports in this series will deal with Pet Foods, Footwear, Outerwear, Buying by Mail, Holidays, Bicycles and Accessories, Razor Blades, Shaving Soaps and Dentifrice.

DAILY HERALD

E. H. Hull, Advertisement Director
Acre House, Long Acre, London, W.C.2



Build your own equipment
with
DEXION
SLOTTED ANGLE

Just cut it and bolt it, that's all!
No drawings required—rough sketches are good enough
No drilling, welding, measuring or painting. No scrap
Now available in both steel & aluminium alloy.

★ Write or telephone for illustrated booklet G8

DEXION LTD., 189, REGENT ST., LONDON, W.1

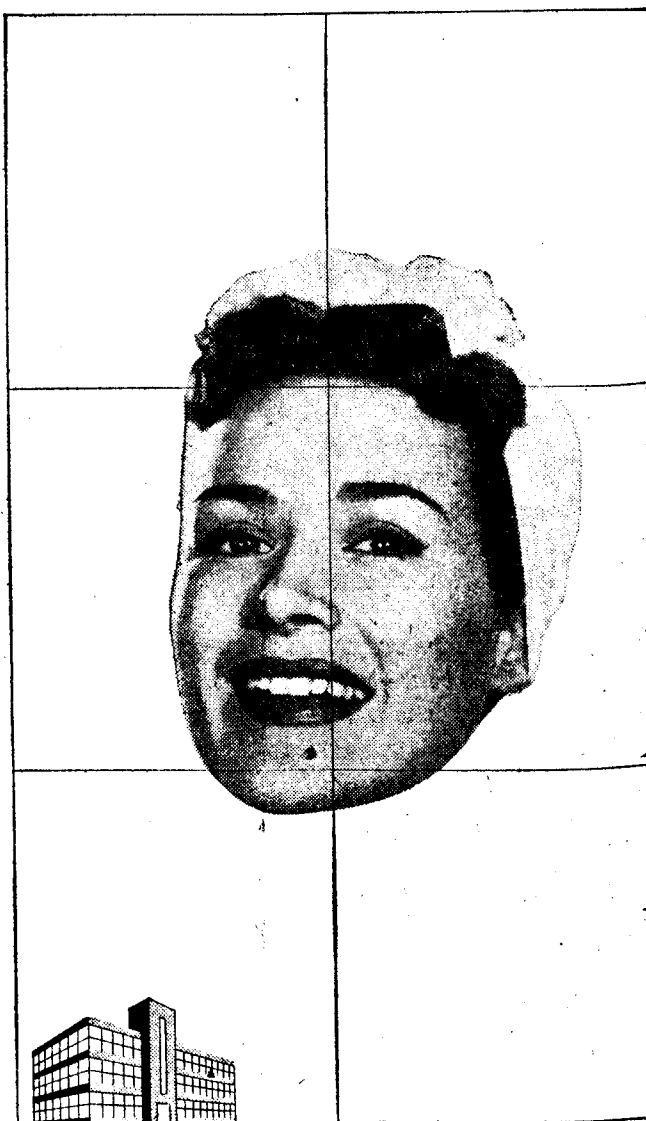
Telephone: REgent 4841

"My—My" said the M.D.



"Yes sir, thanks to you"
"Thanks to me?—don't be
facetious, Smith." "No sir,
sorry sir—but you see, sir,
since you had the forethought
to install Tan-Sad chairs
throughout the office our
typists are all still as fresh
as a daisy at the end of the
day, still full of youthful
vigour and charm!"
"All right, Smith, there's
no need to go into
raptures—but—
well I do see what
you mean, old boy."

Tan Sad
THE TAN-SAD CHAIR CO. (1931) LIMITED
Postural Seating Specialists
AVERY HOUSE, CLERKENWELL GREEN, LONDON, E.C.1.
Telephone: CLerkenwell 3192/3

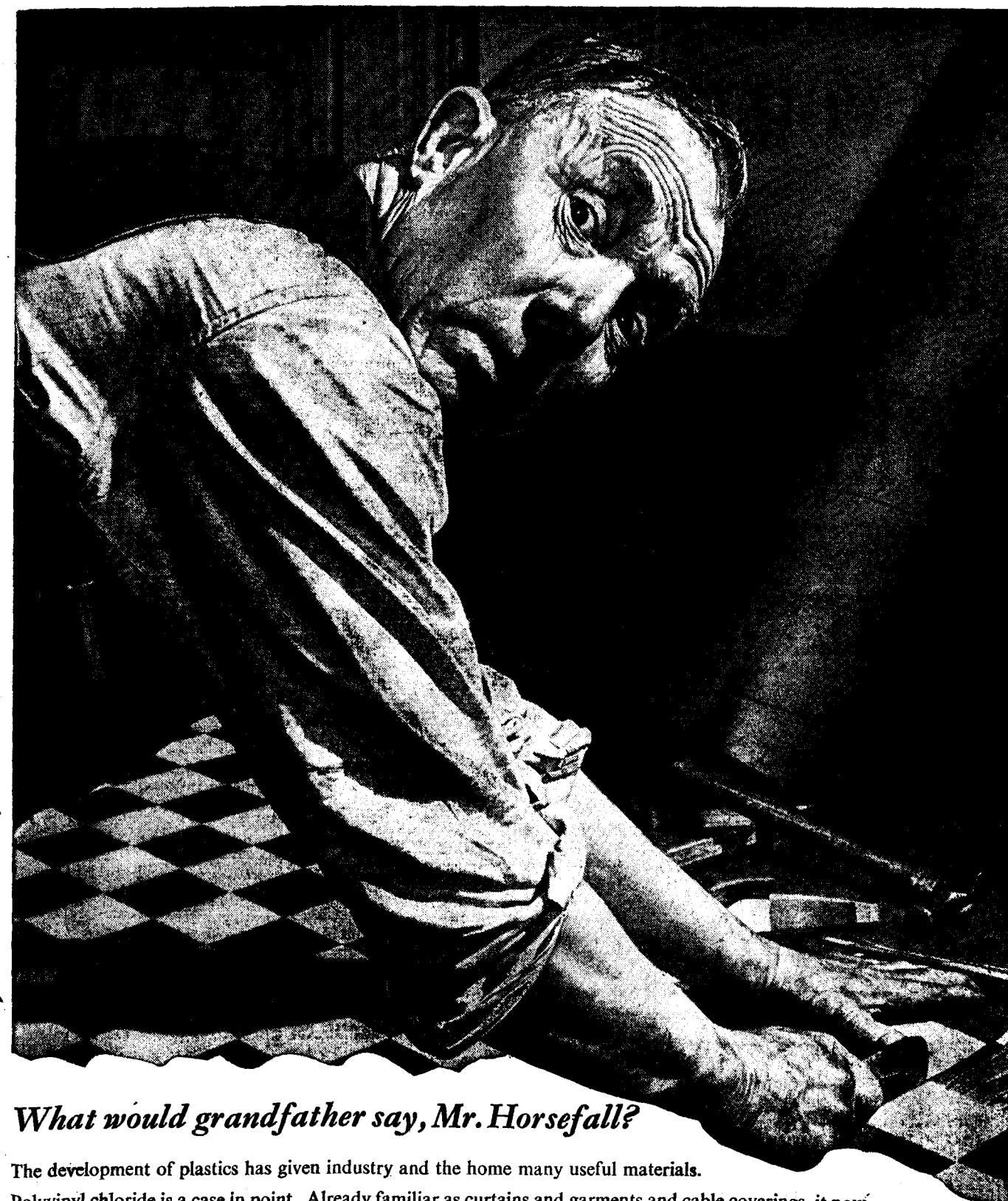


Factory walls should be made of daylight. All the evidence goes to show that natural light—and the more the better—has a beneficial effect on workers, and their work. Big windows sensibly placed to transmit the maximum amount of daylight; translucent panels of "INSULIGHT" Hollow Glass Blocks to give light, privacy, and thermal insulation; "INSULIGHT" Double-Glazing Units to let in the light without letting out the warmth—with the help of these you can make daylight pay a dividend. For advice on the best way to use glass in your factory, consult our Technical Sales and Service Department. Supplies are available through the usual trade channels.

**PILKINGTON BROTHERS
LIMITED**



ST. HELENS, LANCs., SELWYN HOUSE, CLEVELAND ROAD,
ST. JAMES'S, LONDON, S.W.1. TELEPHONES: ST. HELENS 4001
WHITEHALL 5672-6. "INSULIGHT" is a registered trade mark of Pilkington Brothers Limited.



What would grandfather say, Mr. Horsefall?

The development of plastics has given industry and the home many useful materials. Polyvinyl chloride is a case in point. Already familiar as curtains and garments and cable coverings, it now provides flexible belting for coal mines which is singularly unaffected by hard wear and tear. In an allied form it is a floor-covering material of exceptional durability. Organic Phosphorus Compounds (for which Albright & Wilson supply the intermediate) are often used as the plasticizers to maintain the flexibility and to make the finished plastic flame-resistant.

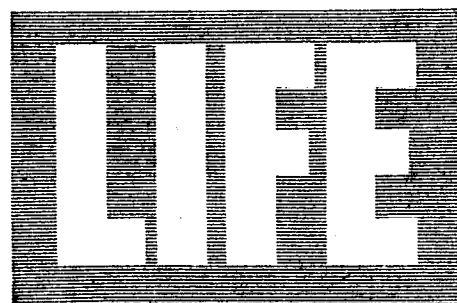


Chemicals for Industry

ALBRIGHT & WILSON

ALBRIGHT & WILSON LTD • 49 PARK LANE • LONDON • W.1

If you want
the world
to know
your
business
go into



International Editions

LIFE IN ENGLISH—average net paid circulation 250,000—300,000 copies in English, circulating in 120 countries outside North America.

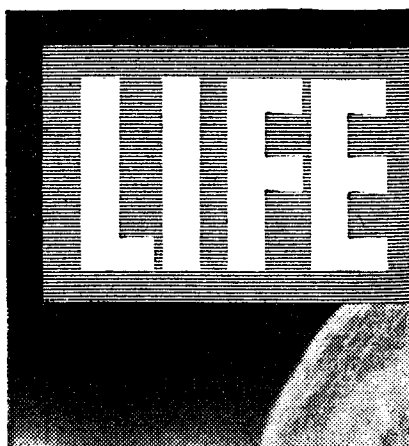
LIFE EN ESPAÑOL—average net paid circulation 200,000—250,000 copies in Spanish, circulating in Central and South America.

These are the INTERNATIONAL EDITIONS of LIFE magazine.

TIME & LIFE BUILDING, NEW BOND STREET, LONDON, W1



Wherever you go in the world, LIFE INTERNATIONAL is the one magazine you are never surprised to see. The consistent, international appeal of its brilliant pictorial journalism has created world-wide reputations for advertisers who once were known only within a limited market. Every fortnight, the English-language edition of LIFE INTERNATIONAL goes to more than 120 countries outside the U.S. and Canada. The new Spanish-language edition circulates in the Republics of Latin America. In every country these editions are read not only by families who can afford the best of the world's products, but by executives and officials responsible for the purchase of capital equipment. In the large, beautifully printed pages of LIFE INTERNATIONAL, these people see advertisements for what they consider the foremost names in the business world. If you want your company or products to be counted among them, go into LIFE INTERNATIONAL Editions. The Advertisement Director will always be pleased to send you further information.



The Economist

FOUNDED 1843

SEPTEMBER 26, 1953

ONE SHILLING

The City's Indian Summer	829
<i>Suaviter in Modo</i>	830
Sentence of Death	832
Rouble Diplomacy?	834
The Clothing Check Trade	836

NOTES OF THE WEEK

The Margate Contest; Final Talks in Egypt?; New Stage in Indo-China; Farmers' Fury; Plump Pay Packets; Good Pay for Youth; Green Light at Strasbourg; Herr Ulbricht Surveys Defeat; Northern Rhodesia Unagreed; Ceiling for Houses; Malan's New Gambit; Projects Without Stalin; The Price of Publicity; Alarums and Excursions; Germany Invests Overseas; Obscenity, 1953. 838

LETTERS TO THE EDITOR	847
BOOKS AND PUBLICATIONS	848

AMERICAN SURVEY

Paying for Security	851
No New La Guardia	852
President's Problems; Nixon in the Lions' Den; Compatible Colour; Arming for Tariff Battles; Shorter Notes.	

THE WORLD OVERSEAS

New Blood in Iraq	858
Swiss Trade Behind the Curtain; Assize of French Radicals; Britain Alarms Dutch Traders; Changes in Czechoslovakia; Burying Beria in Georgia.	

THE BUSINESS WORLD

Two Views of Bank Rate	867
Facts for New Forecasts	870

BUSINESS NOTES

Second Thoughts in the Markets; Foreign Reactions to Bank Rate; New Labels for Transport; Opening Sallies at Gatt; Request for the Waiver; BOAC Scrapes By; The Year of the Comet; The Miners' Latest Claim; The Cost of Coal Holidays; New Policies in Coal; Signals in Export Prices; Volume of Exports Increases; Decontrolling Sugar; Expansion for Cocoa; Revival in Tinplate?; Footing the Bill at Woomera; Inco's Iron Ore; Higher Prices for Wood Pulp. 871

COMPANY NOTES AND SECURITY, PRICES	883
STATISTICS	886

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., O.T.A.

The City's Indian Summer



THE Bank of England strove hard to present last week's change in Bank Rate as a purely technical matter. Technical justifications for it, indeed, are not lacking; they are analysed on later pages. The Bank Rate of 4 per cent has been something of a symbol for some time; it has not been playing its true and traditional role of the price at which the "lender of last resort" will provide money; and the resulting slight dislocation of the structure of money rates has had its inconveniences. Apart from this it is an undeniable fact that a certain strengthening in the gilt-edged market at this time would be convenient to the Treasury and to the Iron and Steel Holding and Realisation Agency—it would be as silly to deny this obvious fact as to assert that it provided the main motive for the change.

It may very well be that market considerations of this kind were all that lay behind last Thursday's decision. But the City and public opinion at large have read much more into it. They have seen it as a deliberate expression of judgment on the economic outlook as a whole. There is no other way of interpreting the sharp reaction of markets. For what is actually changed is very little. Those who borrow money from the Bank of England on commercial bills can now do so at half of one per cent cheaper. But the market is not very often "in the Bank," and when it is, it tends nowadays to offer Treasury bills as security, on which the rate has not been altered. The base of the credit structure has not by this action been perceptibly cheapened or broadened. If, then, markets have risen all round it must have been because everybody thought the Bank was showing the green light. Perhaps the extent of this reaction has taken the Bank by surprise. But there is at least this negative justification for it—that it is difficult to imagine even the most purely technical reduction in Bank Rate being undertaken if the authorities, either in Threadneedle Street or in Great George Street, had been acutely apprehensive about conditions at home or abroad. The command was certainly, at the best, no more than "stand at ease," and nobody should confuse it with the old naval signal "all hands to dance and skylark." But it cannot by any means be twisted into a warning or an alarm.

To be told for once, in the late summer when crises usually blow up, that things are not too bad is very pleasant. There is no call for any blue-nosed warnings against the dangers of complacency. A touch of pride—just a touch—may not be out of place, since there is no doubt that the British national economy is in better balance today than for a long time past. To talk of "balance" does not mean that any of its long-term problems are significantly nearer solution. It means only that there is a fair equilibrium between inflation and deflation at home and between credit and debit in external transactions. But that is something, and it is right to take a little pleasure in it.

There is, however, another reason for looking slightly askance at anything that is taken as a green light. If satisfaction is less of a danger

than at many other times, any relaxation of attention would be peculiarly dangerous at this moment. For if the economic situation is not unsatisfactory, it is also precarious. So many predictions have been made about the impending end of the long postwar boom, and have so consistently been wrong, that even the most congenial pessimists have learned caution. But if one thing is certain it is that the tide will turn one day, and that it will do so without notice. And though there is no convincing evidence that it will turn between now and Christmas, there is even less reason to believe that it could not do so.

The centre of the riddle lies, as usual, in the United States. There has been quite a perceptible change in sentiment there in the past month, in which the behaviour of Wall Street has played its familiar role both as effect and as cause. The sharp fall in the market was caused by an excess of selling orders over buying—that is, by a net balance of scepticism about industrial prospects—and, in its turn, it will deepen the scepticism and put a brake on all those many capital expenditures that are justified only on the assumption of continuing high industrial activity. There are, of course, other factors at work in the American economy, some of them bullish. But almost overnight it has become the majority view that there will be “an adjustment” in the next few months.

Even the majority view does not make it so. The inarticulate and anonymous pressures that determine the shape of the national economy can prove even the best opinion wrong. Outside Wall Street, there are very few positive danger signals flying in America. There are, of course, weaknesses, such as the declining trend of farm incomes, but they are no stronger than many others that have been smoothed away before now by the groundswell of expansion, and several of them, such as the very high level of consumer indebtedness, are dangerous more because they would intensify a

downturn after it had started than because they would help to precipitate it. Only those who are determined to be alarmed can as yet find evidence of anything going seriously wrong in America.

But the picture could change very quickly. It is not wholly irrelevant to recall the timetable of the autumn of 1929. The stock exchange was still rising well into September and at the present date the sky seemed to be much bluer than it does today. The first panic day was not until the last week of October and the first monthly figure for industrial production to show a sizeable drop was that for November, which was not published until well into December. Yet when President Hoover asked Congress early in January to reduce taxes and initiate public works, it was already too late—it would have been too late even if Congress had responded at once. These facts are not recalled because there is any reason to suppose that another 1929 is coming, but simply to make the point that when a change in the economic weather does come, it will come with lightning speed.

How much governments can do in such a situation is considerably more doubtful than the post-Keynesian public has been led to believe. But it is clear that whatever they do will be much more effective if it is done quickly and done whole-heartedly. It is also reasonably clear that when one says “governments,” one means mainly the United States Government, partly because America is so dominant in the world economy, partly because the American Government, almost alone in the world, can act without worrying about its balance of payments. But that is no reason why others should not be vigilant and prepared. This autumn is a time for keeping the watchtowers manned in double shifts and for getting the blueprints out of the pigeon holes. They may not yet be needed. But if they are they will be needed at once. It would be a great pity if the City's Indian summer gave rise to any false feelings of security.

Suaviter in Modo

MR DULLES and Mr Lodge have been trying in the last few days to remove the impression that American policy is rigid and intransigent. This is what America's friends have been asking for, and it should be welcomed. The process began with Mr Dulles's speech to the Assembly of the United Nations last week, which seemed to non-Americans to be much more felicitously phrased than some other of his speeches since he became Secretary of State. That this was no accident was shown on Tuesday of this week, when Mr Cabot Lodge in his turn began to show that there was some elasticity in American policy. He announced that the United States was prepared to send a representative at once to meet the Chinese and North Korean Communists either at San Francisco or at Honolulu or at Geneva and he hinted

that Washington was no longer quite so firmly opposed to the participation of neutrals in the political conference which is supposed (one cannot help being a little sceptical) to assemble in a very few weeks' time to decide the future of Korea. These American steps are not very large, nor very certain—Mr Lodge, when questioned, appeared anxious to reinstate some of the old doubts—but they were so warmly welcomed by America's allies that even the blindest in Washington must have seen how much there was to be gained by a little flexibility.

Mr Dulles's address to the Assembly last week made a pleasant contrast to Mr Vyshinsky's on Monday. For once the apparent roles of the past few weeks had been reversed; it was the Americans who

were giving the impression that they are less inflexible than the world had been led to suppose, and the Russians who had reverted to their old dog-in-the-manger attitude. Impressions may be wrong; but they can be very important. There are many millions in the western world who, having attached their hopes to American leadership, have been worried and sorry that Washington does not appear to be leading them the way they want to go. But the fact is that impressions count for a great deal in the present stage of the cold war and the United States has lost several tricks this summer by the way its words and actions have sometimes been interpreted abroad. A story going the diplomatic rounds has it that, with Mr Eisenhower and Mr Dulles riding together in an automobile, the Secretary of State says to the President: “Don't look now, but I think nobody is following us.”

There have been times in recent months when this story would have been too true to be funny. Yet all the time it has been true that the substance of American policy has been approved by official, and by the bulk of private, thought throughout the western world. If the fundamental questions are asked—is it right to stand up to the Communists?; is it right to be strong?; can peace best be secured by firmness or by making concessions?—public opinion in all, or nearly all, the free countries would give the same answers as in America. Conversely, no European who knows America has ever had any real doubt that on what may be called the MacArthur question—is the aim to smash Soviet Russia or to preserve the peace?—American opinion would, by a large majority, give the same answer as European. Nevertheless, it is difficult to keep the public mind concentrated on fundamentals, and the conductors of American policy have allowed a dangerous degree of estrangement to grow up between their own people and their allies by what has seemed to be the inflexibility of their methods and the belligerence of their words. It is too soon to be sure that they have modified their tactics to heal the breach. But it is very much to be hoped that they have, and the speeches of the past week encourage the hope.

★

As for the substance of what Mr Dulles and Mr Vyshinsky said, the American Secretary of State approached his general survey with two clear attempts to go further towards meeting the Soviet point of view than he has in the past. First, he insisted that the United States is “prepared to explore ways to end the present tension. We shall . . . never grow weary or discouraged in our quest for peace.” The bid for a meeting with the Chinese and North Koreans is now some proof of that. It is understood that during his recent trip to Denver Mr Dulles went over his speech very carefully with the President, and it is notable that this was the first concerted call to the Russians to prove their desire for peace since President Eisenhower's own major policy statement of April 16th. Secondly, there

was a marked change of tone in what the Secretary of State had to say about the peoples of eastern Europe. No longer was there any reference to “liberation” or to “striking off the shackles.” Instead Mr Dulles contrasted American policy with Russia's own. “Our creed does not,” he declared, “call for exporting revolution and inciting others to violence.” It is not so clear, and perhaps he did not mean or feel able to make it so clear, just what American policy towards the peoples of eastern Europe was, beyond the view that they must themselves be allowed to feel that they can “live by their traditions and their faith.” In both these approaches, however, official American policy has patently moved towards a readier acceptance of the principle that relations with the Communist bloc can be adjusted without war. And that is a gain to the whole free world.

Mr Dulles also briefly surveyed the problems of South-East Asia and Germany. In both matters, he again appealed to the Russians to turn their words into deeds; and in both he was subsequently brushed aside when Mr Vyshinsky addressed the Assembly. It is true that no negotiations with the Communist world can be conducted by demanding unilateral concessions. But the point which Mr Dulles may fairly claim to have made was that, having promised American readiness to seek a compromise, he was inviting the Russians at least to name their terms. This may not be the best way of going about a general settlement but it is at least a way of trying to open talks on specific problems. And experience in dealing with the Russians certainly emphasises the normal lesson of oriental bargaining that it is no use giving anything away before you begin.

Speaking about Indo-China, Mr Dulles flatly challenged the Communists' pretext that their action was designed to promote independence rather than to expand the Soviet camp by violence. In this, he was justified in so far as the French, on the one hand, announced on July 3rd their definite intention of completing the transfer of power—negotiations only need to be conducted on the ways and means—and, on the other hand, the Communist armies have no shadow of a claim to be regarded as the champions of an independence movement. They are supplied and victualled from China, and no one supposes that the Viet Minh could do anything but collapse if this help were withdrawn. It was fair therefore to say that “South-East Asia affords the Soviet leaders a chance to give substance to their peaceful words (and) we anxiously await their verdict.”

When he came to Germany, Mr Dulles again seemed more concerned to appeal to Russian reason than to breathe defiance. If what the Russians fear is a rearmed Germany, the same is true of Germany's western neighbours; that is why the European Defence Community was invented. Under it, no single member of the community will have national military strength to serve national ambitions, and “that is a result which the Soviet leaders should welcome if they honestly want peace.” Mr Dulles might have added, moreover,

that an alliance is an unwieldy weapon when it comes to aggression, and that history can produce few examples of alliances which have worked satisfactorily for anything except defensive purposes.

The reminder to the Russians that they have still to reply to the invitation to a meeting at Lugano on Germany met with no response when Mr Vyshinsky came to speak. Indeed, his return to all the traditional Russian arguments about disarmament and the control of atomic energy was notable for the omission of his traditional remarks about the desirability of a great power meeting. This has always been wrapped up in general terms in his addresses to the United Nations General Assembly. This year, when it could have been an appropriate move in the play of diplomacy—which

now includes proposals for a vital Far Eastern peace conference as well as a meeting on German unity—Mr Vyshinsky said nothing.

It will take more than one or two speeches to pull the public opinion of the western world back on to its proper course. But at least the past week's batch of speeches have been helpful. Mr Vyshinsky's has been no less helpful than the others, for though it is disappointing to have the last hopes of a new course in Moscow so vigorously slapped down, it will at least serve the cause of realism. And if Mr Dulles has really made up his mind to remember that the whole world is listening when he speaks, and not only a handful of Republican Senators, there will be a return to realism also in the world's judgment of American policy.

Sentence of Death

AFTER over four years of deliberation, the Royal Commission on Capital Punishment has produced its report. So long indeed is it since the commission was appointed that it is worth recalling its terms of reference. The question of whether the death penalty for murder should be abolished altogether was precluded from its consideration. Instead, it had to decide whether the use of the penalty should be limited or modified. It also had to consider ancillary issues: for instance, the method of execution and the practical effects on the prison system of sending more murderers to imprisonment.

It is remarkable that on most issues the members of the commission are unanimous. The only point on which there is a notable divergence of opinion is the age-limit for liability to the death penalty: six members recommend that it should be raised to 21, the other five preferring it to remain at 18. But all agree that women should not be exempted from the death penalty; that the gas chamber or electrocution has no advantage over hanging—though the possibility of lethal injections should be reconsidered when the science of anaesthetics has progressed farther; and that the prison system should be able to absorb any increase in the number of murderers sentenced to long terms of imprisonment as a result of fewer executions.

It is, however, the commission's findings on the major issues that have been most eagerly awaited. At the time of the great controversy over capital punishment in 1948, it became clear that many people favoured the retention of the death penalty in certain cases of murder—for instance, murder to escape arrest—but felt strongly that it should not be imposed in cases where it would not be carried out. In England and Wales, 45 per cent of those sentenced to death are reprieved by the Home Secretary. In these cases, the pronouncing of the death sentence is a farce, and the disposal of the convicted is in the hands of

the executive instead of the court. The royal prerogative of mercy would be used less frequently if the imposition of the death penalty were made less rigid.

The murderers for whom a modification of the death penalty is thought, on this argument, to be desirable fall into two broad classes: the "insane" and those whose crimes have extenuating circumstances. This second class has many sub-divisions. Sometimes the court is able to find that the accused is guilty of manslaughter, instead of murder; and by recommending that the definition of provocation should be widened to include provocation by words the Royal Commission is helping a court to bring in the lesser verdict more often. On the other hand, it proposes no change in the law by which an accomplice can be found guilty of murder if his companion is found guilty.

The first big question that the commission had to decide was the practice relating to murderers whose sanity is in doubt. For a hundred and ten years the M'Naghten Rules—that is, the rules propounded by certain judges after M'Naghten had murdered Sir Robert Peel's secretary in mistake for Peel himself—have laid down the criteria for a defence of insanity to be established. The accused, so the essential rule runs, must be suffering from such defect of reason due to disease of the mind (a) that he did not know the nature and quality of his act, or (b) that if he did, he did not know it was wrong.

It has been said that if the M'Naghten Rules were strictly interpreted, M'Naghten himself would not come within them. They have, on the whole, worked well in practice because the judges have usually interpreted them liberally and brought within their scope many murderers who were certainly mad but certainly knew what they were doing and knew that it was wrong. But they have not always been interpreted liberally or realistically. Last year's trial of Straffen was an instance where, because of a rigid interpretation of the

rules, a jury found criminally responsible for his actions a man who had been found unfit to plead to a similar charge seven months previously.

The Royal Commission had to consider whether the rules should be modified, in the light of greater knowledge of mental illness, or be abolished. If they are retained, it recommends that they should be modified as follows: first, the words "or mental deficiency" should be added after "disease of the mind" in order to make it quite clear that mental defectives come within the scope of the rules; and secondly, a person may be found irresponsible for his act if, as a result of disease of the mind or mental deficiency, he was "incapable of preventing himself from committing it," even though he knew what he was doing and knew it was wrong.

The commission discusses whether this new criterion, which it prefers to the narrow and largely discredited concept of "irresistible impulse," would cover many cases at present outside the M'Naghten Rules. It comes to the conclusion, with one dissentient, that the new rule would serve a purpose provided it is interpreted widely. On a narrow interpretation it would merely cover murders committed in a state of, say, epileptic automatism or frenzy. In other cases, the prosecution could still maintain—and judge and jury could agree—that the accused would not have committed the act if a policeman had been standing beside him; that, therefore, he was not incapable of preventing himself from committing it.

★

Because of this difficulty of framing a formula a majority of the commission would prefer to abrogate the rules altogether. These members agree that the purpose of the rules is to help the jury to decide the issue of insanity and irresponsibility as a question of fact. But they argue with great weight that this theory has broken down in practice; it is not the law or "fact" that prevails in most instances, but common sense. They agree with the view that although the jury are solemnly charged about the implications of the M'Naghten Rules, they simply ask themselves: "Is this man mad or not?"

With three dissentients, the commission recommends, therefore, that the jury should be left to determine, as a straight issue, whether a person is mad enough or mentally defective enough to be held irresponsible for his act. The judge could then bring to their attention, as he was free to do before 1843, all the evidence that might help them to come to a decision; he would not have to direct them to concentrate on points specified in a formula. Furthermore, although the commission agrees that prosecution and defence should continue to call their own expert witnesses, there would be less conflict of evidence to bemuse the jury than arises now when psychiatric evidence has to be distorted to fit the M'Naghten Rules.

Of all those committed for trial for murder in the first half of this century, 45 per cent have been deemed

mentally abnormal, either before or after trial or by a jury, and have not been executed. But there remains another large class not deemed abnormal but for whom the death sentence is considered, even by those in favour of retaining it, inappropriate. (An extreme class are the so-called "mercy killers.") After exhaustive inquiries and in spite of its determination to "discover some effective method of classifying murders so as to confine the death penalty to the more heinous," the commission came unanimously to the conclusion that its quest must be abandoned.

This, however, is not its last word. It did not relax its determination to reduce the rigidity of the present law and to remove from the executive much of the task of correcting the anomalies arising from the rigidity. If the death sentence is retained and yet is not to be—as all are agreed it should not be—imposed in cases where it is inappropriate, and if murders cannot be classified, then there is only one answer: either the judge or the jury must have an unfettered discretion whether the death sentence should be imposed or not. The commission argues strongly that the discretion should not rest with the judge, mainly because of the onerous responsibility it would place on him. Equally strongly, therefore, it argues that the discretion should rest with the jury.

The commission fully recognises that its proposal is, for this country, a novel one. What it amounts to is that when the jury convict anyone of murder, they should be asked to find whether there are extenuating circumstances, and such a finding would preclude the judge from passing sentence of death. A murder trial would consequently fall into two parts: the first being concerned with guilt or innocence, the second with extenuating circumstances. In the second part the jury would have an unfettered discretion; in particular, it should give due weight to the condition "psychopathic personality," which, the commission decides, ought not at present to exempt a person—as insanity does—from criminal responsibility.

★

This proposal is the core of the commission's recommendations. Nor does the report mince words about it. Since the proposal would change the traditional function of the jury and has practical difficulties, "its disadvantages may be thought to outweigh its merits." In that case, the commission concludes,

a stage has been reached where little more can be done effectively to limit the liability to suffer the death penalty, and . . . the real issue is now whether capital punishment should be retained or abolished.

This is indeed the real issue. The commission's proposal would place on ordinary men and women, subject to ordinary emotions and influenced by the state of public opinion, the grave duty of deciding whether circumstances justify a lesser sentence than death. This would surely lead to serious anomalies. The difference

in the circumstances of the crimes of a reprieved murderer and an executed murderer may be barely perceptible; yet the distinction in their treatment is absolute, and to leave it to the jury would make it erratic and inconsistent as well.

Is it thus worth adopting the proposal, with all its disadvantages, when by the abolition of capital punishment it would be made unnecessary? The only real argument for retaining capital punishment is that it acts as a deterrent. But the commission, after examining the evidence, does not find more than a *prima facie* case that it exercises a stronger deterrent effect than other forms of punishment on normal human beings, while on many offenders its effect is negligible.

Rouble Diplomacy?

SOME observers like to detect the Soviet rulers, from time to time, moving belatedly through steps already trodden by the western world; to see Malenkov, for example, discovering how delicately tortuous Persian politics can be, or enunciating the principle that the consumer is always right. Yet there has been little public comment upon the interesting fact that, while in the west the cry now is "trade, not aid," the Communist empire appears to have launched out on a course that might be described as rouble diplomacy. Since Stalin died, his successors in the Kremlin have publicly promised substantial amounts of economic aid to China and North Korea; they have pledged a smaller but significant sum to the United Nations programme for technical aid to backward countries; and they have offered credits not only to Eastern Germany but also to a non-Communist country, Argentina. These actions are not entirely without precedent. The Sino-Soviet treaty of 1950 included, at least in theory, a Russian credit to China of \$300 million. But never before has there been such an apparently widespread distribution of Soviet largesse.

To what extent can this be interpreted as the opening of a new phase in Russia's dealings with its satellites, friends and trading partners? There has, naturally, been an individual motive for each individual action; and before the picture can be judged as a whole, its parts call for some further examination. For example, the concessions granted to Eastern Germany in August were not merely timed to affect the elections in the west; they were needed to prevent the economy of the Soviet zone from foundering altogether under the burdens still laid upon it by its masters in Moscow. The two-year interest-bearing credit of 485 million roubles (nominally, about £44 million) was only a minor item in the list, alongside far more welcome ones such as the cancelling of outstanding reparations and the handing back of some of the industrial plants operated by Russia since 1945. The concessions as

There is a further point. Much of the morbid interest taken by the public in murder trials arises from the fact that the accused is on trial for his life. Nor would this interest be in any way diminished by the commission's recommendations for giving more discretion to the jury. Throughout the trial, the issue to the public would still be: not, is the accused guilty?; but, will he be hanged? For all the long labours of the Royal Commission and its earnest desire to provide a solution within its terms of reference, its report can lead to only one conclusion: capital punishment should be abolished, and all the anomalies—and perhaps injustices—that the commission is trying to prevent will disappear as well.

a whole were essentially a matter of scaling down Soviet demands, not of extending positive aid; and the fact that a credit was included at all may be attributed simply to the urgent necessity that the Communist rulers of Eastern Germany should be enabled to buy enough food and other essentials to stave off complete disaster.

Moscow's undertakings towards China and North Korea, however, are of a very different character. True, the offer of a billion roubles' worth of aid (nominally, some £90 million) to Kim Il Sung's regime was a logically necessary, if inadequate, riposte to American and United Nations plans to finance the reconstruction of South Korea; there is some parallel here with the East German situation. But the granting of aid to a proven ally is a more positive action than the reduction of claims on a defeated enemy—although both concepts are comparatively novel in Moscow. The evolution of Russian aid to China is even more interesting. The five-year credit granted in February, 1950, to enable China to buy Soviet railway and industrial equipment evidently revealed its inadequacy very quickly, and the Chinese Communists soon grasped the fact that they were not only having to do all the fighting in Korea for the Russians, but were also paying them handsomely for ammunition and aircraft. Having failed to get satisfaction by more discreet methods, Chou En-lai himself descended upon Moscow in August, 1952, with an impressive entourage of army, air and naval commanders, and ministers responsible for machinery, fuel and other industries. But even the Chinese prime minister could get little from Stalin except honeyed words and a meaninglessly vague agreement. Chou went home, but he left his expert advisers behind in Moscow to continue the haggling; and Stalin was barely cold on his catafalque before this eight-month effort bore fruit. With almost indecent haste, Malenkov and Beria agreed before the end of March that, instead of merely supporting China's industrialisation plans by lending the services of experts, they would also provide equipment

for electrification and the mining, machinery, and chemical industries. It was made clear, however, that China must pay for this with increased exports of food, minerals and wool.

Some at least of this promised Soviet equipment was actually delivered during the summer. But the hard bargaining in Moscow continued. Last week, a meeting of the Chinese government council heard a report from its delegation to these negotiations, and adopted a resolution of fulsome gratitude to the Soviet government, which has now agreed to help with the renovation or construction of 141 Chinese industrial plants and enterprises on which work is already in hand or will be undertaken within the next six years. The tone of the Chinese statements suggests that, for the first time, they are now satisfied—at least for the time being.

It may be assumed that Malenkov is also satisfied, for he has, in effect, bought North Korea back from the Chinese, who in the past three years had come to dominate it by virtue simply of military occupation. Mao Tse-tung, of course, cannot afford to reconstruct North Korea himself; a Chinese contribution to this task has indeed been announced, but in terms so vague as to imply that it will amount to little more than the employment of the luckless "people's volunteers" on earth-shifting work. (A nation-wide levy for Korean relief has drawn only £2½ million from Chinese pockets, which yielded much more for the earlier "unofficial" appeal for funds with which to buy MIGs and ammunition.) The way is therefore clear for the Russian technicians who, in Malenkov's promise to Kim, are featured much more prominently than material supplies, to restore the original Soviet hegemony in North Korea. Any doubts the Chinese may have about the matter will be tempered by their own dependence on Russian aid.

★

That is how rouble diplomacy works within the Communist sphere. Outside the sphere, it has hitherto been confined to the granting of a modest credit of under £11 million to Argentina, and the offer of four million roubles (£357,000) to the UN technical aid programme. Nobody has yet seen the colour of this money, although both offers were announced in July. The Argentines expect to receive Russian industrial equipment against delayed payment; Uno does not yet know whether any of the Soviet contribution will be paid over in dollars, sterling or some other internationally used currency, or whether it will amount only to providing the services of technicians from Communist countries. But one of the interesting features of this experiment will be the light it may shed on the real value of the rouble. In dealings between Communist governments, prices can be adjusted so arbitrarily that it is impossible to tell the true value of the Russian aid promised, for example, to North Korea. But it will be something of a blow to rouble diplomacy if whatever Russia eventually delivers to Uno falls far below what could be expected

if the nominal exchange value of the rouble were a realistic one.

On the available evidence, there is still nothing very impressive about the total amount of "Malenkov aid" both inside and outside the Communist sphere. (No comprehensive figure for Russian aid to China has been announced at all since 1950.) The scale of the whole operation is puny when compared with American achievement in this field. But it is a striking new departure, for it has long been Soviet policy to ignore even the most anguished appeals for help from satellites or potential friends in economic difficulties, sending only reminders that a good Marxist must learn to paddle his own canoe. The more conservative minds in Moscow may well be uneasy at the sight of Malenkov unlocking the treasure chests on which Stalin sat for so long, while the gold accumulated under his mercantilist posterior. However small the real sums involved, they will not make it any easier for Malenkov to carry out the sweeping promises he has now made to his own people.

Nevertheless, rouble diplomacy may have come to stay, if only for the reason that the new rulers of Russia cannot do without it. It must always be remembered that Malenkov is not Stalin. Lacking his predecessor's unquestioned authority, he must conciliate not only various groups inside Russia, but also others outside, and particularly the Chinese. In one sense, it is fortunate for him that nearly every country in the Communist sphere desperately needs economic help, for this makes rouble diplomacy a more effective weapon. On the other hand, the role of fairy godmother, once adopted, is not easy to relinquish, as America and Britain have found in their time; and it may be that Malenkov's troubles are only just beginning. Economic aid for China is a good investment, but it will not pay off for a long time, and meanwhile Peking may develop a frightening capacity for absorbing Russian resources. Moreover, now that the Soviet cornucopia has been officially unsealed, how long will it be before other aspiring recipients join the expectant queue? The Poles and Czechs will undoubtedly drop pointed hints about any favouritism shown to the East Germans, all the more because they are being required to contribute, through the Comecon, to the refloating of Pieck and Ulbricht. And the Asian countries before whose eyes Moscow had previously dangled visions of plentiful capital equipment may ask what Perón has done to deserve superpriority.

Moreover, unless ingratitude is altogether lacking from Marxist minds, the time may come when Communist leaders who have long denounced American aid, because they see strings attached to it, will begin to compare the lightness of those strings with the chains that trail from Malenkov's roubles. Ulbricht and Kim Il Sung have already given the world some inkling of the weight of these chains. Soviet Russia has long enjoyed the benefits of leadership in the "camp of peace and democracy." Now, perhaps, it may have to begin to take account of the price of leadership too.

The Clothing Check Trade

LAST week an article on credit facilities in the drapery trade suggested that not nearly enough was known about the methods by which the cheaper sorts of drapery are sold to working-class households. Apart from the trade's own methods of extending credit, the system known as check trading, carried on purely as a form of money lending, does a business that cannot well be less than £40 million a year, and may easily be twice as big. This trade is concentrated largely in the industrial Midlands and North, and almost wholly in working-class consumption. It is certainly more important and influential than the lack of publicity would suggest. One obvious example of its influence is provided by the large number of shops that have established clothing clubs of their own, employing agents to issue checks in the same way as the check traders themselves; even the Co-operatives have abandoned their traditional cash basis and formed Mutuality Clubs to do the same.

Check trading is carried on almost entirely by private persons or private companies using their own capital. When occasionally it is mentioned in the press, it is usually because of some abuse incidental to its widespread operations among the poorer sections of the community. "Trafficking" in checks—that is, selling them for ready cash at something less than their face value, instead of using them for their legitimate purpose to buy goods—was made illegal in 1948; it may still go on, for it is a tempting way to raise money in a hurry, to draw a £10 check from an agent and offer it to a neighbour for £9 cash. Some big stores which accept checks insist that the customer exchange her check for metal tallies marked with the shop's name and use these to make her purchases; needless to say the tallies, being even more anonymous than checks, find a ready market at a sharp discount. There is also the classic story of the woman who was fined 10s. by a magistrate for some trivial offence, and having only 4s. in hand was faced with a night in prison; she avoided this by obtaining a £2 check with her 4s. (2s. first instalment and 2s. poundage) and using it to buy blankets, which she promptly pawned for 14s., thus paying her fine and retaining her original 4s. This is not as unlikely as it seems, since next week's troubles are a long way off for many households; the story, in fact, expresses a recklessness by no means uncommon in people who budget from one week's pay packet to the next.

This sort of abuse is hard to prevent in any system of lending money; the check traders themselves cannot be held responsible for all the unreasonableness of human nature. They try for their own sakes to ensure that their customers' credit is good; they prosecute illegal "trafficking" when they can; and whatever opportunities the fringes of such a trade may seem to

offer for unscrupulous practices, the vast majority of check trading firms are impeccably honest businesses giving a straightforward service for a reasonable return. Their satisfied customers are, indeed, their warmest advocates.

★

Another objection to check trading is voiced by the spokesmen of the drapery trade, who naturally regret that outsiders should make an indirect profit out of drapery sales. They point out that the check traders' discounts are a severe cut out of the profit on sales to check customers. Drapers' retail profit margins vary widely; they may be anything from 22½ per cent to 35 per cent in different shops or on different classes of goods. But if 27½ per cent (or 5s. 6d. in the £) on returns is taken as a good working average, then as discounts stand at present, the check company gets 3s. 6d. (2s. 6d. discount and 1s. "poundage") for every £1 worth of goods sold on checks, and the shopkeepers 3s. (plus perhaps 4½d. for the wholesalers' discount to him).

Why do shops agree to accept checks on these terms? At first, they do so in the belief that check sales will represent a net addition to their existing cash trade, and so help to pay for their overheads even if the rate of profit on check custom is small. It is invariably a condition of such an arrangement that check customers must not be charged higher prices than cash customers, and this is fairly strictly enforced, but it is hard to believe that shops with a large check custom can satisfy this rule and survive without raising their prices to all customers. The "desirable" proportion of check to cash sales is said to be 40 per cent check custom; but, once accepted, it may not be easy to keep at that level. Moreover, if a retailer can spare 12½ per cent discount on even one-third of his turnover it is reasonable to think either that his prices have been raised on that account, or that retail margins generally are too generous. And discount rates are rising again; before the war they were as much as 17½ per cent.

While it is impossible to measure the effect of check trading on price levels, in those regions where it is firmly entrenched, the effect must be considerable. The argument that strictly cash shops provide an effective competition is not as sound as it looks. The working-class mother of a family is often convinced that no one can teach her anything about value for money in clothing. But any manufacturer knows that within fairly wide limits no layman—and few tradesmen—can judge whether the garment a few shillings dearer than the next represents a bad bargain or better workmanship. Moreover, where check trading is prevalent its influence is likely to be felt in all the shops in the district selling

a certain class of goods, with the exception of a few chain stores.

The argument that wins over the individual shopkeeper—that by accepting checks he will increase his turnover—loses its force when applied to a whole town or district. Check trading might increase the total local consumption of drapery by a little, but not sufficiently to pay for its cost; obviously as soon as check trading in any town becomes at all widespread, shopkeepers no longer accept checks as a favour, a welcome addition to their normal business, but as a necessary self defence.

The drapery trades' answer to the success of check trading has been to copy it on a fairly wide scale. Indeed, shops have occasionally bought up check companies and continued to operate them as independent businesses, and check companies have sometimes opened stores of their own as a sideline. In such cases the distinction between shop clubs and check trading becomes hard to draw. But the social and economic effects are the same, whoever's capital is employed. The issue of clothing checks—as distinct from "straight credit" to known customers, or "credit-trading" as a form of door-to-door retailing—is undoubtedly an expensive form of consumer finance. Its advantages have to be paid for whoever operates the service.

★

Two questions therefore arise. Does the clothing check, expendable at a variety of stores, constitute a service to the public that is socially desirable or undesirable? And if desirable, who should pay for it? As regards the service itself, it is easy to be misled by the many "hard cases" familiar to social workers dealing with families in trouble. An institution should not be condemned because the weaker brethren stumble in operating it. If check trading were suppressed by law, the people who today commit themselves, with several different clothing clubs, to payments far beyond their means would tomorrow be paying the street money-lender "a penny in the shilling a week" to borrow money. No legislation can protect fools and there are good reasons why it should not try to do so.

The usefulness of consumer credit applies to all items of expenditure that are large in relation to income, and this is almost as true of clothes in large working-class families as of houses for bank clerks. It is not, admittedly, the most needy who are granted check facilities; people in real poverty are not credit-worthy. But many working-class families with incomes of £6 or £8 a week and several children would never save enough money to be as well dressed as they are if they did not commit themselves to regular weekly payments, with the obligation that arises from having the article and the fear of being blacklisted if they default.

But if the service provided by clothing checks is itself a good thing, is it a good system that disguises from the consumer the true cost of providing the service? In effect that cost is spread evenly over cash and credit customer alike, through the retailer's dis-

count to the check company. Should the cost of check trading not fall where it belongs—that is, on the price the check customer pays for his check? Why should he borrow £1 for five months for as little as a shilling, when the check company pays its agent 1s 6d to lend that pound to him—not counting the other expenses involved?

If it charged the customer the economic price for his check in the first place, the check company would not need a large discount from the shopkeeper; general price levels would not be inflated by the presence of check trading; and the cash customer would not have to pay for the check customer's privileges. And without the illusion of near-free credit, the habit of real thrift would receive a healthy stimulation in many families.

Check companies, however, are competitive businesses. It would be unreasonable to expect them of their own accord to shift the onus of their tariffs in a way that would reduce the volume of their business. Individuals—consumers, shopkeepers or check companies—are powerless alone. Only more public knowledge, leading perhaps to legislation governing the way credit is charged for (not to an attempt to prevent it), could alter the trend.

(Concluded)

The Cloud in the East

Europe has now been lying under sentence of war for six months—respite from time to time, but still left for execution; and this moment the hopes of ultimate escape from that last calamity seem more faint and wavering than ever. The two armies of Russia and Turkey lie opposite one another each anxious for the strife . . . and any ambitious commander or any rash and reckless subaltern may fire the signal for a struggle the extent, the issue, and the duration of which neither diplomatist nor sovereign can foresee. . . . No one will accuse us of having ever shown ourselves insensible to the evils of war. . . . As vigilant guardians of the commercial interests of a great country, our tendency and disposition must naturally be to regard all interruptions of universal amity with even an exaggerated alarm and dislike, and to purchase the continuance of peace at too high a price. But we must not forget that a precarious and ill-conceived peace—the uncertainty that must ever attend arrangements which, being unjust in their nature and reluctantly submitted to, can never be otherwise than temporary—is almost as fatal and discouraging to commerce as actual hostilities. If . . . a hollow peace be patched up between the disputants on terms which will leave in the breast of one party all the rankling irritation of defeat and injustice, and in the breast of the other all the longings of unsatisfied and checked ambition—that sense of security so essential to commercial operations will be as effectually destroyed as if a war had actually broken out. . . . What we need, it cannot be too often repeated, is not a formal and temporary reconciliation, but a permanent settlement of an ever-recurring difficulty—a final solution, once for all, of a problem that has kept Europe in hot water for half a century. To avoid war—considering what war is—is worth every exertion and almost every sacrifice: to postpone war, may often be worth no effort or sacrifice at all.

The Economist

September 24, 1853

Notes of the Week

The Margate Contest

THE Labour party assembles at Margate this weekend for its annual conference in a somewhat less virulent mood than when it gathered at Morecambe a year ago. The Morecambe conference had been preceded by six weeks of bitter accusations that Mr Bevan and his friends were running a "party within a party"—a charge for which the Bevanites themselves provided the most substantial evidence when their list of six candidates, reaping the reward of a concentrated vote, swept all before them in the contest for the constituency seats on the national executive committee. No party, of Left or Right, could tolerate the existence of an organised group of this character within its ranks, and counter-attack was inevitable. Its vehemence was increased by the defeat, in these constituency elections, of Mr Herbert Morrison, the most important of the right-wing leaders. All this injected into the Morecambe debates an element of personal strife, with the delegates feeling that what was at stake was no less than the future leadership of the party.

During the past twelve months this dispute has faded, even if it has not been settled; it has certainly gone against Mr Bevan. At Westminster in November the parliamentary party rapidly forced the Bevanite group to disband, defeated Mr Bevan's bid against Mr Morrison for the deputy leadership, and placed Mr Bevan in the humiliating position of just scraping on to the party's parliamentary committee. Since then Mr Bevan has become less conspicuous while Mr Morrison has steadily rebuilt his prestige—assisted by the leaders of the big unions, who have made it clear that he is now their choice for the succession to party leadership. All this takes much of the sting out of the proceedings at Margate. It is now clear that even if the Bevanites were to win all seven constituency places on the national executive (which is unlikely), they would still be a very long way from gaining access to real power in the party.

There will, nevertheless, be a personal contest between Mr Morrison and Mr Arthur Greenwood for the party treasurership. The executive has decided to support Mr Morrison's return to it automatically, in his capacity as deputy-leader of the parliamentary party, but neither this nor other last-minute efforts to avoid the open contest seem likely to succeed. Mr Greenwood commands much support beside that of the Bevanites; the National Union of Railwaymen this week decided by a narrow majority of its executive to give him its 317,000 votes. This leaves little doubt that the election will be a close-run thing.

For the greater part of the week, however, the conference should be able to set its mind to policy matters. On foreign affairs, if Mr Attlee's broadcast last weekend is any guide, much loose anti-Americanism will be voiced. Fortunately some forthright younger politicians seem to retain their

sense of realism, and the arguments will not go all one way. On domestic policy, the debates will not move far from familiar ground, and particularly the degree of future nationalisation. It seems probable that the platform will be able to defeat all the left-wing attacks on the draft party programme, which is close enough to the go-slow attitude of the main unions to ensure their loyalty. Education at least should provide a more free-ranging debate, but it is by no means certain that in any respect the conference will provide firm evidence of which way the party is really going.

Final Talks in Egypt?

BRITAIN and Egypt are now so close to agreement on the Canal Zone base that the folly of failure seems inconceivable. Perhaps it was this that led an Egyptian spokesman to tell some pressmen on Tuesday evening that they could expect a settlement very soon. This is by no means certain and, in fact, the negotiators met again on Wednesday night with the Egyptian side still worried about how long Britain thought it necessary for British technicians to help the Egyptian army in the base. The range of difference is so slight that it should be capable of adjustment, but the evil genius that has haunted Anglo-Egyptian relations since the war precludes certainty until an agreement is signed.

Over the dinner table, during the last few weeks, the negotiators in Cairo have done much to restore mutual confidence, and from this have been able to yield gently to each other. The basis of the settlement has been there ever since May, when the Egyptian side agreed to the retention of British technicians and accepted the regional importance of the base. Britain, for its part, agreed to evacuate if a reasonably practical plan of base maintenance were devised. Since then, the problem has been to make evacuation and maintenance mean the same thing to each side, and the delegations have gone far towards doing so.

Apart from the period during which British technicians would remain in the base, there is still some disagreement about the circumstances in which Egypt would consider it necessary for British troops to re-enter the base, but much progress has been made towards defining the region of vulnerability. Clearly Egypt, sheltered by desert and sea, cannot make its frontiers the test of immediate danger. There is, however, every reason to think that Britain and Egypt will be able to define what constitutes an adequate reason for reactivating the base, and who will decide when.

As ever in Egyptian diplomacy, the internal situation is vital to the ultimate result. The present military leaders are not dictators at heart and are worried about the decline of their popular support. It is a matter for the British

Government to bear carefully in mind that the little extra required could be the straw that breaks the camel's back.

There is little reason to doubt that some of the older politicians have tried to exploit the weakened internal position of the regime. How far this has justified the recent arrests of politicians is difficult to judge, but the arrests constitute a dictatorial act which cements the army's power at a crucial moment in Anglo-Egyptian relations. They also suggest that the present army leadership has the courage to go forward to a settlement. But how much further?

The British have conceded the main point: the withdrawal of those troops that maintain Britain's power physically in Egypt. If any agreement is going to work it will be because Britain has secured Egyptian goodwill. At present the base is working at less than 50 per cent efficiency, despite the fact that there are 50,000 troops protecting the 30,000 who maintain it. It is unlikely to be more efficient under the Egyptian army, but if the political atmosphere is good Britain may be able to be more helpful than the agreement stipulates. It is against this fact that the last details of disagreement should be measured.

New Stage in Indo-China

THE rains are nearly over in Indo-China, but the uncertainties remain as puzzling as ever. How strong will the Viet Minh offensive be, and where will it be directed—against the Red River delta, or down into Laos again, or both? How effective has General Navarre been in his out-of-season raids against Viet Minh supplies, and can he take the offensive himself? What are the chances of a negotiated peace? How much independence have the French really handed over or promised to hand over? Can the approach to full independence now undermine the Communist appeal? How soon can the Vietnamese national army take over enough responsibility to enable the withdrawal of French troops to begin? To this long series of critical questions there are still no generally acknowledged answers.

Over the past few weeks, the Viet Minh have been massing troops in the delta area; intelligence reports suggest that these now amount to five divisions. At the same time, on the French and Vietnamese side, the American promise of another \$385 million for Indo-China will enable the French to send out several extra battalions and to speed up the training and arming of the Vietnamese; this sum brings the American contribution to almost \$800 million a year, or about two-thirds of the cost of the war. In France itself the pressure for some attempt at negotiation is mounting, and M. Edgar Faure, the Minister of Finance, recently showed that the new American contribution makes this possible. Without the money, that is to say, some form of withdrawal would have been essential; with it, General Navarre may just be able to build up enough military pressure to make negotiations possible on a reasonable basis. And while this looks like an unduly defeatist argument, although advanced for primarily economic reasons, there can be no doubt that, one way or another, the campaigning season now about to open could have more decisive results than the battles of the past two years. That does not mean that either side will win the campaign. But it does probably mean that the stage will be set for a serious attempt at a negotiated truce.

The immediate prospects will be clearer after the important debate on Indo-China that is to take place soon after the French Assembly meets.

★

The attitude of the French public towards the war in Indo-China has not been rendered more favourable by the "piastre scandal" now being ventilated by a parliamentary commission. It was always common knowledge that profits were being made through a franc-piastre traffic at artificial rates of exchange. Some of the reports before the commission, however, also imply that, as in the notorious Stavisky affair, the traffickers were backed by important political personalities. The mood of the country is well illustrated by the comments of a witty Parisian journalist who has dubbed the commission's chief informant an imbecile, a Dostoyevskian idiot, a savage fallen into civilised society unaware that it is based on graft and nepotism. This mood does not help the present regime, nor does it strengthen enthusiasm for the war in Indo-China.

Farmers' Fury

THE National Farmers' Union has established an emotional connection, at least, between the Government's two recent decisions on agricultural policy. Those are, first, to introduce a deficiency payments scheme for cereals and, secondly, to refuse the farmers' request that the present fixed prices for farm crops should be subject to a special review because farmworkers' wages have been raised. The second has led the NFU council to declare that

the Government's refusal to grant a special price review could only cast further doubts on the sincerity of the Government's expansion and price policies for agriculture.

Sir James Turner, the NFU's president, followed this up by declaring more roundly than ever that "in no circumstances" would the farmers accept an extension of the deficiency payments principle to fat stock marketing. Their fears of a free market are put firmly in the way of the Government's efforts to deal with the confusion and decay of meat rationing before consumers lose their tempers—with the Government or with the farmers.

The NFU's suspiciousness is genuine enough; it has strong roots in the past; it outruns, indeed, that of the most embittered trade union leader who still expects to find capitalists plotting to grind the faces of the poor round every corner. But the NFU is making a mistake if it thinks that the farmers' fears gain conviction every time they are paraded. It is difficult to believe that anyone ever seriously thought that the Government would grant a special price review. It refused when farm wages were raised last year, and the farmers' case was stronger then than it is now. The rise in wage costs is likely to be offset, in part at least, by falls in other costs, and the Government's decision to wait and see how things have turned out by February, when the regular price review is due, is obviously right. For the farmers to make a great fuss about it can only persuade people that they will never allow any reasonable agricultural policy to work smoothly. And the Government may then be tempted to decide that, if it has to endure the farmers'

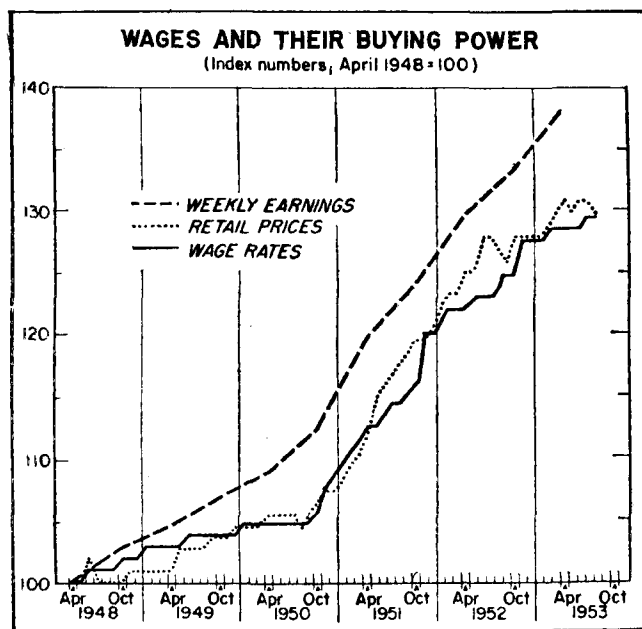
fury in any event, it may as well fight as a lion, believing in the benefits of free markets for consumers, not as a sheep dependent on the rural vote.

Sheepishness certainly has not paid in the case of eggs. The interim marketing system—adopted early this year to placate the consumers while making some move towards freedom—has worked badly, and this week the Government has had to make “special arrangements” to keep it working. The main arrangement is to raise the support price to 4s. 7d. a dozen—roughly the price that producers had been getting—although this is the period of relative scarcity. There is little freedom, and less efficiency, in a system that requires Government intervention of this kind.

Plump Pay Packets

THE figures published this week by the Ministry of Labour put the average earnings of men in April, 1953, at £9 5s. 11d. a week. This compares with £8 13s. 7d. twelve months earlier.

For the purposes of wage claims every union is anxious to show that its workers are in real terms far worse off than they were at some date in the past, and great statistical prowess is shown in finding a date since when it can be claimed that prices have risen more than wages. An interesting date to take is the official beginning of Sir Stafford Cripps's wage “freeze” early in 1948. Since then,



as the chart shows, average weekly earnings have kept consistently ahead of the rise in retail prices; over the five years, they increased in real terms by nearly 6 per cent. But earnings are never taken into account by the unions in formulating wage claims. Wage rates have followed a more uncertain course, but on the whole have kept pace with prices; they were losing ground earlier this year, but the fall in the retail price index of one point in August

brought wage rates into almost exactly the same relation with prices as they had in 1948. These figures, and still more the figures for earnings, make complete nonsense of all the talk about the workers' falling standard of living that so often comes out of Labour meetings.

Good Pay for Youth

THE Burnham Committee has just completed the full-dress review of teachers' salaries that has become a triennial event. The increases it recommends, if accepted by the constituent bodies, will come into effect in April, 1954. A cost-of-living bonus of £40 for men and £32 for women was granted as recently as the middle of last year, and there is nothing startling about the new proposals. With one exception, they are simply a further step in pursuit of the cost of living. The new basic scale for qualified assistant teachers compares with the previous scale as follows:

	Present	New
Men	£415-£18-£670	£450-£18-£725
Women	£370-£15-£536	£405-£15-£580

Increases in the allowances for head teachers are also recommended. The new provision is an allowance for graduates with first-class degrees of £30 for men and £24 for women. This may also be given to second-class graduates at the discretion of the local authority. It is an addition to the existing allowance (£60 for men, £48 for women) given to all graduates.

The effect is that next year a first or second class graduate teacher should start work at £540 a year (for a man). This is markedly better than his civil service counterpart, and slightly better than industry or the universities usually offer. The trouble with teaching is that the prospects are so poor. The male teacher reaches his maximum at about 37 or 38; thereafter, unless he gets a headship, there is nothing further to hope for except a “special responsibility” allowance which will only occasionally bring the schoolmaster over the £1,000 mark.

The solution cannot be a large and universal increase at the upper end of the scale, which would be prohibitively expensive even if the majority of teachers were worth more. A selective policy is needed. Many local education authorities have made little use of the “pool” of 4s. per child that they were empowered to create three years ago, as a fund from which to increase salaries in specific cases. Attempts will probably now be made to get such pools used more effectively, rather than to alter the basic scales in favour of special categories of teachers.

Green Light at Strasbourg

THIS week, it seems that the log-jam of interlocking objections that has so long blocked progress towards the European Defence Community is at last beginning to shift. On Monday, when delegates from the six governments of the Schuman community assembled in Rome, they

were in pessimistic mood. Despite the impetus given by Dr Adenauer's electoral victory to the European movement as a whole, the project for a six-nation political community which the Rome meeting was to discuss had run up against the fears of the Gaullist elements in the French coalition—an ironic as well as an awkward situation, for it was originally France that devised the political community as a check on German influence in the EDC. The news from Strasbourg, where the Council of Europe was debating M. Spaak's call for early action on the EDC, was not encouraging; the Germans had taken exception to a Dutch proposal for the “Europeanisation” of the Saar, and a number of delegates—among whom several British MPs were prominent—had successively attacked M. Spaak and one another without in any way advancing the general cause.

On Tuesday, however, the Foreign Under-Secretary, Mr Nutting, made a strong impression on the delegates at Strasbourg when he described the relationship that Britain was prepared to accept as regards the EDC as

closer than any we have known before . . . even closer than the relationship we hold with the High Authority of the Coal and Steel Community.

The reaction was immediate. Later on the same day, M. Guy Mollet, the secretary-general of the French Socialist Party, told the Council that in view of Mr Nutting's declaration his party hoped to be able to vote for the ratification of the EDC treaty. M. Mollet made this offer conditional upon a satisfactory agreement on the form of the political community; but it was none the less an important initiative for the French Socialists to rush into the breach in M. Laniel's coalition created by its right wing's opposition to the EDC. Without belittling the obstacles that still lie ahead, it can surely be said that this week's events at Strasbourg have given Europe the green light for at least one move forward.

Herr Ulbricht Surveys Defeat

THE East German Communist leaders have now taken stock of their situation after the victory of Dr Adenauer in the Federal elections. Herr Ulbricht has surveyed future policy in a long address to the central committee of the Socialist Unity Party. It is a very sorry state of affairs that he discloses, in both the economic and political fields; and the Communist doctrine can find no effective way in which to deal with it. One of the most important revelations made by Herr Ulbricht was that many party members have given up hope as a result of Dr Adenauer's success, coming as it did after the concessions made to East Germans and the June revolt. “Bourgeois vacillation” is now affecting large numbers of the faithful, particularly among the 400,000 members of the party who are former Social Democrats. As a result, the Communist regime is in future to rely almost entirely on the solid core of reliable “activists,” of whom there are, according to Herr Ulbricht, only about 150,000. They are to stiffen the security police in the factories and in all branches of administration, and will have to be busy men indeed.

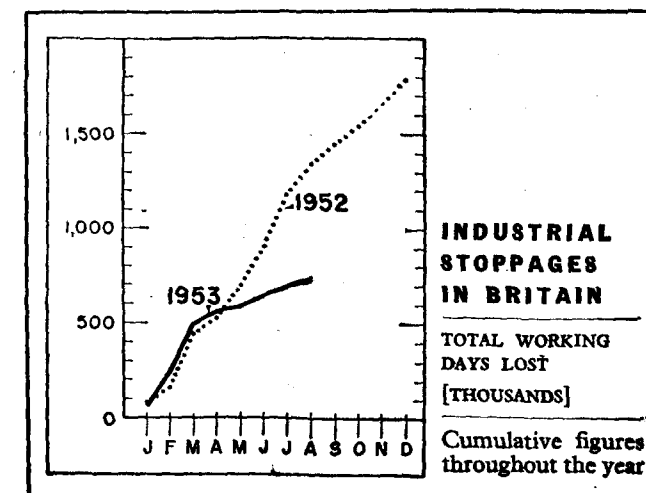
The “new course” in the East German economy that was announced last summer has not been entirely reversed; but Herr Ulbricht made it plain that no way can be found

to avoid increasing the existing inflation except the orthodox one of making output rise at a greater rate than wages. “Norms” on which piece-rate wages are based will, after all, have to be raised, although one of the main reasons why the workers revolted in June was their objection to this step. In spite of the Soviet government's help, Communist policy is faced with bankruptcy, and it is, in the circumstances, almost pathetic to hear Herr Ulbricht churn out the old story that East Germany must and will prove to the West Germans that the Communist system is superior to capitalism.

It seems evident from Herr Ulbricht's survey that the Soviet government will make no concessions on German unity at any four-power conference. Germany, he still repeats, can only be united by the forceful overthrow of the Bonn regime; and that can only be achieved if the Social Democrats make common cause with the Communists. Herr Ulbricht emphasised to his anxious colleagues that a Germany united in this way would, of course, take over the basic features of the eastern system. In view of the German election results, it is no wonder that he himself forecast that reunion on these terms is a long way off.

Northern Rhodesia Unagreed

THE conference on the Northern Rhodesian constitution broke up this week and with it has gone any hope that the racial tension heightened by Central African federation will be quickly relaxed. The African and European delegations failed to reach agreement, and Mr Lyttelton was therefore forced to put forward his own proposals. The constitution at present provides for a Legislative Council of 23 members consisting of 9 officials, 10 elected Europeans, 2 elected Africans and 2 nominated unofficial members representing African interests. The Executive Council consists of 11 members of whom 7 are officials, 3 unofficial Europeans and one is an unofficial nominated member representing African interests. Mr Lyttelton's proposals will increase the size of the Legislative Council to 26. The official membership is reduced by one and there are to be two additional elected representatives each for the Africans



and Europeans. The Executive Council is to be reduced to 9 by the removal of two officials whose functions have now become a federal concern. All members are to hold portfolios and will constitute, in embryo, a government front bench.

The Colonial Office have given away as little as possible. Official members will still hold the mathematical balance on contentious issues and the small concessions to both races are equal handed. Yet, if only because their case was most modest, Mr Lyttelton appears to yield more to the Europeans than to the Africans. They asked for three new seats in the legislature and have got two; the Africans, who wanted parity with the Europeans, have gone away the more disappointed.

The damage has been done, however, not by the new solution, but by the false expectations that preceded the conference. The African argument for equal representation is that federation has left native affairs to the territorial government and that in this they have a right to insurance against their suspicions of the new federal government. But to have given in to this demand would have looked like an admission that the federal structure was unsound and would have placed an unbearable strain on the infant federation by angering the Europeans. It is a pity, however, that Mr Lyttelton has not made, in compensation, the gesture that was open to him, by extending the franchise to British protected persons. At present an African who satisfies the

other qualifications can vote on the common roll only if he becomes a nationalised British subject. To change this is admittedly difficult, because it raises the whole issue of separate racial representation. But if Mr Lyttelton could meet the Africans on this point when he visits Rhodesia next year some prospect of racial harmony might be restored.

Ceiling for Houses

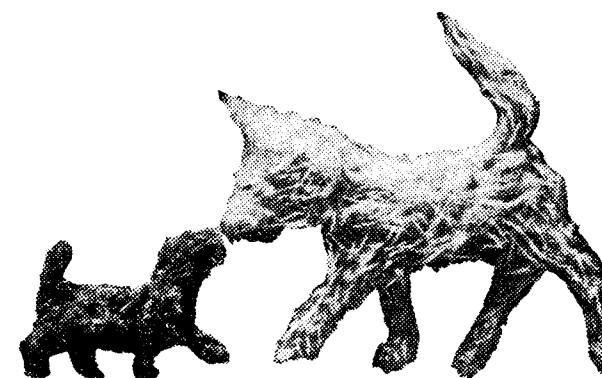
HOUSE-BUILDING is not going so smoothly as it was supposed to be. According to an official of the Ministry of Housing, not more than 300,000 houses will be built this year. To hit this famous Tory target within two years of the Government's taking office is, of course, a great achievement from its own point of view. But it has been anticipated for some time. Indeed, the monthly rate of completions has been so high that the 300,000 seemed likely to be exceeded by a comfortable margin. In the seven months that ended in July 172,510 houses and flats were completed in Great Britain. This is an increase of 30 per cent compared with the same months of 1952. If the same percentage increase were maintained for the rest of the year, nearly 312,000 houses and flats would be completed in 1953.

The Ministry, however, seems to estimate that not more than 255,000 houses will be built to let and 45,000 for sale, making 300,000 in all. More houses than ever have been started, but the rate of completions in the last months of the year is not expected to maintain its lead over the rising rate of the year before, because materials are becoming scarcer. Bricks have been scarce for months. It is true that the capacity of some brickyards is not being fully used, in spite of Ministers' exhortations to the housing authorities, and the Ministry of Works has therefore never admitted that a "general shortage" exists. But most builders are very conscious of it all the same.

The ceiling set by the shortage of materials deprives the Minister of Housing of one of his stock replies to Labour critics. He has always been able to maintain that he is not building houses for sale at the expense of council houses, because the numbers of both were increasing. Labour will no doubt now be quick to say that the private houses are holding back council building. This does not make Mr Macmillan any less right to encourage house building without subsidy, but politically he will no longer be able to have the best of both worlds.

Malan's New Gambit

DR MALAN's bill, which would have removed the Cape Coloured voters from the common roll, failed by 16 votes to get a two-thirds majority at a joint sitting of both houses of the South African parliament. Undismayed by this setback, the government introduced last week a bill which proposes to divide the Appellate Division of the Supreme Court into two sections, one dealing with civil and



the long and the short of it

Asbestos is made up of millions of fibres—some long, some short, according to the thickness of the seams, which are found between layers of rock. Amosite, for instance—produced from the Cape Asbestos Company's mines—consists of some of the longest fibres. When these have been divided and bulked together again, they occupy about twenty times their original volume because they trap thousands of minute air cells within their mass. It is this which gives the Company's famous "Caposite" insulation its unique light, open texture and exceptional insulating efficiency. But long or short, Asbestos fibres are playing an increasingly large part in industry. If you are in any doubt about the value of Asbestos materials for your own purposes, consult

THE **CAPE** ASBESTOS CO. LTD., 114-116 Park St., London, W.1. GROSvenor 6022

TA5581

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.

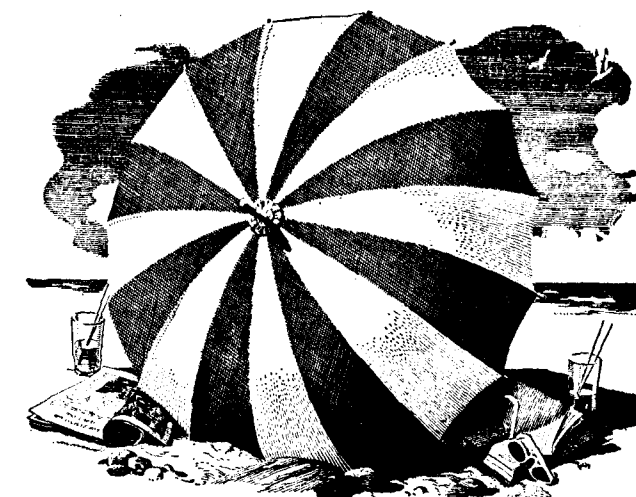


Overcoats

We have an excellent stock of ready-to-wear overcoats in a wide range of styles, materials and patterns.

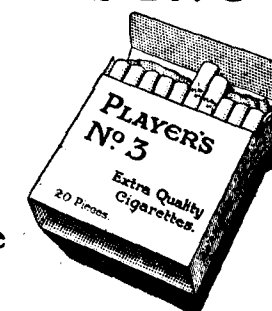
MOSS BROS

OF COVENT GARDEN
THE COMPLETE MAN'S STORE
Junction of Garrick and Bedford Streets, W.C.2
Temple Bar 4477 AND BRANCHES



Two's Company . . .
with **PLAYER'S No. 3**

The Quality
Cigarette



[3P117C]

ELECTRICITY

spells

PROSPERITY

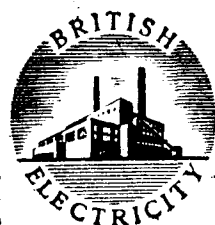
BRITAIN IS WORKING HARD and British Electricity is building more and more power stations to meet Industry's needs.

Year after year new records of construction are being achieved.

Britain's electrical generating plant today adds up to many millions of horse-power more than it did a few years back. That plant could easily produce MORE electricity. As things are, the plant is giving full output only for short periods once or twice a day; continuous full operation would cheapen the cost of electricity production.

That is why British Electricity welcomes an increasing use by the housewife of electricity for cooking and water heating, as well as an increasing industrial demand for electricity.

The more our factories use electricity, the higher Britain's productivity will be — and the higher our productivity, the higher will be the prosperity of the country.



ELECTRICITY
PROSPERITY

Are you an advertising agent?

Then here is an important fact about.

Good Housekeeping magazine which should be made quite clear. Particularly so in respect of your clients selling goods to women for the family or the home.

Good Housekeeping is not just another high class magazine.

It is a specialist publication, supported by the world's most famous authority on homes and homecraft—the Good Housekeeping Institute.

Its readership has a specific and concentrated interest—home interest.

Good Housekeeping is, in fact, as much a specialist journal for the home as is a motoring magazine to the enthusiastic motorist or a gardening journal to a gardener.

Remember this when planning your clients' advertising campaigns for 1954.

*As the Hulton Readership Survey 1953 shows, Good Housekeeping is read by more ABC Class Housewives with children under 16, than any other Home Monthly magazine.

Good Housekeeping—Britain's foremost home magazine

THE NATIONAL MAGAZINE CO. LTD., 28/30 GROSVENOR GARDENS, S.W.1

criminal appeals, the other with constitutional matters—the obvious assumption being that some or all of the judges sitting in the constitutional section would be newly appointed. Thus is revealed the hitherto secret plan to circumvent the constitution.

The temporary reverse in parliament is not causing Dr Malan undue concern. Indeed, on balance he may feel that he has gained more than he lost. It was always obvious that he commanded insufficient voting power in parliament to push through the bill, and thus he cannot have lost prestige among his own supporters. On the other hand he can now claim that he has at least gone through the motions of seeking constitutional sanction for the policy of *apartheid*. Furthermore, it will be easy to switch the charge of undermining the constitution, which his opponents effectively used against him, back on to them. It is all the more likely to stick because of the doubts and dissensions within the United Party. Thus, baulked for the moment in parliament, Dr Malan can nevertheless feel he has secured a tactical triumph over the opposition. There are ominous symptoms of disintegration in the United Party, whose coming party congress may well be decisive.

The new bill is a transparent manoeuvre to muzzle the courts. It may be that, having got it on to the statute books, the government will take the indirect step of packing the Senate, and then reconvene a joint sitting and thus force through the Coloured voters bill. In this way it would hope to avoid the charge of tampering with the courts, while still having the assurance of a sympathetic hearing to fall back on, should there be an appeal to the newly created constitutional division of the Supreme Court. But, once having forced through a measure which strikes so fundamentally at traditional court procedures, the government would have no further need of devious tactics; it would be in a position to legalise virtually anything.

Projects Without Stalin

THE "Stalin great projects" have ceded pride of place in Russian domestic propaganda to "the needs of the Soviet consumer." Indeed, very little is now to be found in Soviet articles or broadcasts about the various plans for "changing nature" which before Stalin's death received so much publicity. Does this mean that all the plans for new canals and power stations, as well as the irrigation schemes, were dropped as soon as their nominal author left the stage? On balance it would seem that work on many of the projects will proceed, but that the great advertising campaign is no longer appropriate. Before Stalin's death, when the energies of the country were concentrated on the development of heavy industry and armament, much ado about the "great projects of Communism" provided a useful smoke-screen, a proof of the peaceful character of Soviet construction. Now that the Russians have admitted that they have developed atomic weapons, and are also looking for all possible resources that can be switched to consumer goods industries, there is no need for such a cover story.

While these projects received a share of publicity out of all proportion to their actual role in the Soviet economy, they do play nevertheless an important, if secondary, part in it. Thus, the two biggest ones—the Kuibyshev and

Stalingrad projects on the Volga, to be completed in 1955 and 1956 respectively—are intended to provide 20 billion kwh per annum, irrigate 2.5 million hectares of land and supply water for an additional area of 11.5 million hectares. The additional grain, cotton, sugar-beet and rice that can be grown on irrigated land should be of great assistance to Khrushchev in his plans for stepping up agricultural production.

Some more ambitious schemes—such as the transformation of western Siberia through changing the course of its rivers—may be postponed, if they were ever really contemplated for the near future. The whole rate of construction may also be slowed down to release resources for more urgent tasks (it has been disclosed that the irrigation of the Volga region is badly behind schedule). This would account for Khrushchev's silence on this topic in his latest long report, which contrasts strangely with the fact that, not so long ago, the projects were held to be a perfect panacea for Soviet agriculture. The "great projects," like the Soviet Constitution and the Five-Year Plans, have lost the epithet "Stalin." Their myth disappeared together with the cult of their patron. Yet as indispensable, prosaic constructions, the more realistic of them are likely to survive the myth.

The Price of Publicity

THE cost of presenting the Government to the governed is being reduced again this year. The *White Paper** on the information services for the current year, now belatedly published, shows a cut of some £250,000 in estimated expenditure on home information; this 10 per cent cut leaves a total of just over £2,250,000. By contrast, the cost of the overseas information services has been held almost constant, at just under the £10 million mark.

Last year's cuts included the total disbandment of the Crown Film Unit and the mobile projector service associated with it. The reductions this year are piecemeal; the chief sufferers have been the Ministry of Labour, the Ministry of Food, and, taking a broom into its own house, the Treasury; the Service departments have come off lightly. Most of the money saved comes from the Central Office of Information's vote, which means that economies have fallen largely on the Government's specialised publicity programmes. The Ministry of Labour, for example, has largely handed over recruitment advertising for the mines to the National Coal Board, and the Ministry of Food has cut heavily into its programme for advertising, exhibitions and lectures.

There is thus a welcome shift of emphasis within the information services. The Government is providing less information direct to the public through advertising and through its own publicity devices, while the machinery for giving information to the press has been maintained: indeed this service has in some departments been considerably improved. Economy apart, governments should not be trusted to do much purveying of their own information, but it is probably now true to say that the process of pruning information staffs cannot be carried much further without beginning truly to lessen public knowledge.

* Cmd. 8949.

Alarums and Excursions

IT seems increasingly unsafe for the guardians of the Iron Curtain to allow their subjects to get anywhere near the exits. The world has become accustomed to the flow of refugees from Eastern Germany, which, despite its remarkable proportions, has virtually ceased to be "news." But the past fortnight has seen some more sensational defections from the Communist camp. Dr Korowicz, a member of the Polish delegation to the new United Nations Assembly, had only been three days in America before he eluded his bodyguards and sought asylum. Another Pole who appealed for sanctuary in Korea had, ironically enough, been sent there by his government as a member of the "neutral" mission entrusted with the care of prisoners of war reluctant to return to Communist rule. And the North Korean who flew his MIG across the lines on Monday contributed his own paradox when he revealed that he had heard nothing of the famous reward of \$100,000, but had escaped simply because he wanted to.

A background of events like these, not to mention the latest chapter in the Maclean story, makes it readily understandable that this week's reports of the escape of Lavrenti Beria should have been given such prominence. The Beria stories have, of course, become less credible as they have multiplied. Yet, given the macabre secrecy that now shrouds the Communist world, and the melodrama that necessarily surrounds any escape from it, it is hardly surprising that the reaction of many people to the Beria reports has been one of suspended belief rather than blank incredulity.

Germany Invests Overseas

FEDERAL GERMANY is now launched on its postwar career as overseas investor. The Bonn government's new economic agreement with Brazil is the first to reflect Germany's position as a creditor to under-developed countries and its determination to secure long-term markets overseas. In order to even out the Brazilian debt, which is still about \$90 million, German deliveries will be less than those in the other direction. German sales are to amount to \$90.5 million, of which nearly half will be essential capital equipment to be financed by long-term German credits. Five years is mentioned as the probable length of credits. Another \$17 million is to consist of machinery, while \$10 million is set aside for supplying and assembling vehicle parts—an item no doubt required on account of the Volkswagen factory that the Germans have established in Brazil. Apart from stipulating that at least 30 per cent of German exports shall be capital equipment on credit, the Bonn government approves the setting up of joint German-Brazilian enterprises, and of purely German factories that will buy their equipment in Germany.

A joint German-Brazilian commission is to be formed to supervise the carrying out of the agreement. The commission will investigate German proposals for investments with an eye to their benefit to Brazil's economy and Germany's position as long-term supplier of engineering goods. The German section of the commission will come

under the Bonn foreign office, an arrangement indicating the sound appreciation which the Germans have of the part that trade relations play in foreign politics.

The big steel works in India for which Krupp and Demag have secured the contract will also represent a German overseas loan. The two German firms will set up a joint company to finance and erect the works, which will have an initial capacity of 500,000 tons of crude steel a year, and will double this figure in the second stage of construction. The first stage will cost \$150 million, of which a German consortium will provide \$20 million, the Indian government and the International Bank supplying the rest. This development, with the Brazilian treaty, is a fresh landmark in Germany's recovery. Though the loss of contracts is bitter to British industrialists, the overriding consideration must be that German enterprise should find a safe outlet. If Krupp does not build guns, he must be allowed, in fair competition, to build steelworks, or the consequences for Europe will again be disastrous.

Obscenity, 1953

LAST week, at Douglas, in the Isle of Man, Boots Book-lovers Library was fined a nominal sum of £1 on each of two counts for "lending upon hire an obscene book." The books in question were two reputable novels included in the library (as no doubt they are included in many other lending libraries) as part of its normal stock in trade. The prosecution was under a Manx Act that does not seem to be substantially different from the law in force in the United Kingdom. It was heard by the High Bailiff, who said that he found the library "guilty" with reluctance, but was bound by the law. The word "obscene" meant "suggesting unchaste or lustful ideas." These books could do that; therefore their lending was a criminal offence. And no doubt any police constable in any part of this country could have taken two similar books from any other library shelf and could have undertaken a similar prosecution and secured a similar conviction.

On the whole, the average man has a pretty good idea when a book sets out to trade on obscenity and when the "obscenity" in it is technical rather than dangerous. But how can that sense of fitness, or taste, be reduced to a legal formula which will not make nonsense of itself? To perverted minds, there is probably some "obscenity," in the dictionary sense, in a considerable proportion of published novels. Can the reactions of a minority be allowed to dictate the judgments applied to all literature? It is true that one magistrate will be shocked by a book that will leave another indifferent. Is that an argument for setting up a board of censorship, to secure uniformity?

The reply to each question is, of course, "no." Probably the only solution—and it may be thought of as an evasion—is to leave prosecutions to the good sense of the police authorities. There is certainly a case for one legal change, laying it down that no prosecution should be started without the consent of the Director of Public Prosecutions; that would eliminate the elements of chance and local prodigality. But it is hard to see how obscenity itself can be redefined in a statute, for standards of taste change far more quickly than the written words of the law.

Letters to the Editor

The Economy of Development

SIR—On August 22nd, in a leading article reviewing Mr Harold Wilson's book, "The War Against World Poverty," you were severely critical of all of us who urge that Britain ought to make a much larger contribution to the economic development of under-developed countries. You left on my mind the strong impression that in your opinion, despite our naive warm-heartedness, we are actually doing more harm than good by recommending a course which, if pursued, would lead to a rate of economic growth greater than the "ecological environment" of the underdeveloped countries will allow; and I am sure that you gave great moral comfort to all those who do not want us to contribute anything to meet the needs of peoples far poorer than ourselves.

On September 5th you were considering the same problem, not in a general and (if I may say so) somewhat doctrinaire manner, but in relation to the hard practical problems of Malaya. In Malaya you found no risk whatever of economic development outpacing the environmental possibilities. On the contrary you found that grave dangers are arising because the rate of economic development is too slow, and that all the practical necessities of many useful forms of economic development are already present with the exception of adequate assured finance. You ended by hoping that the problem would be approached "in as broadly generous and imaginative a spirit as the Treasury will permit."

Sir, you will know well enough that what the Treasury will permit is governed, largely though not exclusively, by the Treasury estimate of the state of public opinion.—Yours faithfully,

RICHARD ACLAND

House of Commons

Role of the Investment Trusts

SIR—Agreed that the market in the ordinary shares of investment trusts is narrow, and that share prices fluctuate considerably; such shares are therefore not attractive to the small short-term investor. But to conclude, as you do, that they are not particularly suitable for any small investor is another matter. For surely they are bought as long term investments to be locked away (hence the narrow market). For that purpose many of them—those that are well managed—have served well. They have provided stability of income with a gradual upward trend both of income

and of capital values over the past 20 or 50 years.

Is the well managed investment trust really so difficult for the small investor to choose? To buy the stock that is cheapest in any particular week does involve highly complicated calculations which are probably beyond him. But to buy a good long term holding the past record of the management provides a fair guide, and one that is readily available.

But even if the small investor does not acquire many ordinary shares, what of the debentures and preference shares that made up £243 million of the £395 million of investment trust capital in your sample? They seem to have been omitted from consideration in the rest of your article. Are they not suitable, or at least as suitable as any other fixed interest investment in an age of inflation, for the small investor?

You state, "Unfortunately, however, it is precisely in this task of mobilising the small man's savings for risk investment that the trusts' achievements have so far been most disappointing." Have you studied the share registers in order to discover to what extent the trusts do mobilise the small man's savings? If not, how do you know? The only indication you give of the use of funds for risk investment in Britain is the estimate of £325 million invested in British industrial shares. That surely is only one small part of the information needed. How important are the trusts as subscribers to and underwriters of new industrial issues? To what extent do they help to make a market in such issues? What about the nursing of small firms prior to issue done by the Glasgow Industrial Finance group in Scotland and by others in London?

It will probably be found that the contribution made by the investment trust movement to the solution of the risk capital problem is small and might be enlarged; but the difficulties are considerable. The investigation of numerous small risky projects at or before the new issue stage of development is a very different job from the management of a portfolio of established securities.—Yours faithfully,

RONALD F. HENDERSON

Australian National University,
Canberra

European Refugees in China

SIR—Your correspondent's article of August 29th is a very worthwhile plea on behalf of the many thousands of European refugees caught in a desperate trap in Communist China. However,

his information on the movement of these refugees to new homes overseas is outdated.

It is true, as he states, that fewer than a thousand refugees left in 1952. (The exact number moved by the Intergovernmental Committee for European Migration was 878). Since February, however, there has been a steady increase in their evacuation and the first seven months of this year have seen the departure of 1,714 refugees for permanent resettlement, principally in the Latin American republics. Despite the fact that movements have increased, there were still over 3,700 potential visas on hand at the start of July, some 2,000 more than at the start of the year. In addition, the recently enacted US Refugee Relief Act of 1953 provides for the issue of 2,000 visas to non-Asian refugees in the Far East before the close of 1956.

This encouraging progress is largely due to the search for placement opportunities carried on by the voluntary agencies. The money for the movements accomplished came from a special Trust Fund, created by the International Refugee Organisation at the time of its liquidation. This fund will be exhausted some time in December of this year, at which time there will still remain in China roughly 17,000 refugees, of whom it is estimated that 10,000 would be able to immigrate to other countries over the next two or three years, assuming that the political situation remains substantially unchanged.

ICEM estimates that these movements would cost approximately \$6 million, and the organisation has launched an appeal to its 22 member governments and others to assist.—Yours faithfully,
SIDNEY SHORR
Geneva

London Airport

SIR—There is one point that was not mentioned in your Note on the developments planned at London Airport—indeed, it is a point on which there seems to be a conspiracy of silence—and that is how the passenger is to be transported between the airport and London. British European Airways have recently removed their terminal to a new site some 3½ miles further away from Heathrow than the old. The buses are timed to leave there an hour and a quarter before the plane departs, and you are asked to be at the terminal at least fifteen minutes before the bus leaves. (Nor will it pick you up en route even if it passes your front door, but that is another matter.)

What is the point of spending £26 million on the airport if it has such ridiculous communications with the city it is supposed to serve? Yet the Waterloo terminal stands alongside an electrified railway line which passes within a mile and a half of the new airport; a connection could be made right into the basement of the terminal building for a fractional addition to the £26 million. The railway is quadruple-track

most of the way and not unduly burdened; trains could cover the distance in twenty minutes. The BOAC terminal in Buckingham Palace Road could also be connected, though less easily, as there would not be a straight run through Clapham Junction.

I believe there was a plan to provide this railway link at one stage. What has happened to it? Is it gripped in the paralysis that seems to affect everything connected with the railways? If it is right to spend so much money on an airport, surely it would be worth while to do the job properly.—Yours faithfully,
GLOBETROTTER

Mr Deakin

SIR—Discussing the decision of Mrs White to withdraw from the contest for membership of the Executive of the Labour Party you state with every sign of approval: "But at Morecambe a year ago Mr Arthur Deakin abruptly withdrew from her support the massive bloc vote of the Transport and General Workers' Union." Is a state of affairs when a single individual can "abruptly withdraw" over a million votes wholly in conformity with the usual democratic process you so fervently (and rightly) uphold? Who can disagree with your conclusion that "... Mr Deakin and his colleagues ... have had to do virtually all the dirty work in combating Bevanism"?—Yours faithfully,
Cockermouth T. BALOGH

[It would be equally foolish to argue that the "usual democratic process" is denied whenever an elected Government does anything without holding a referendum. Does Mr Balogh misunderstand the phrase "dirty work"?—EDITOR.]

Ariel and Caliban

SIR—In his letter in your issue of August 22, 1953, Mr Day states that technical and economic conditions must assure that competition in television can only be between a small number of large units.

This seems questionable. If the ultra-high frequencies of Bands 4 and 5 are used, up to 93 channels would be available. Even if allocations did not cover the whole of those two bands, in accordance with the Television Advisory Committee's recommendations, it still allows for about 50 stations. Since the Americans use these frequencies, there is no reason why the British radio industry should not be able to do so as well. It does not appear that technical conditions necessitate oligopoly.

It is more difficult to assess the economic factors. But it was stated in your issue of December 27, 1952, that during 1953 the USA would have more than 250 television outlets. There are seven in New York City. Moreover, it appears that there have been a considerable number of applications for licences to transmit in this country. Practical working may thin out the numbers—but it need not necessarily do so.—Yours faithfully,
Leeds JOHN G. WALKER

Books & Publications

Practical Unionist

PROBLEMS OF ECONOMIC UNION. By J. E. Meade. Allen and Unwin. 102 pages. 9s. 6d.

PROFESSOR MEADE has an advantage over most other academic economists in that he takes proposals for economic union seriously. He does not regard the field as already overpopulated with a rather frightening army of back-benchers, formidable lords and ladies, and emotional continentals, all grinding their idealistic axes above the undergrowth. Instead he dives terrier-like into the undergrowth himself; drags out about a hundred difficulties in approximately as many pages; subjects them to a professional economic analysis; and then either propounds sweeping solutions or—more usually—sadly lays them aside unsolved. Sometimes, unfortunately, the analysis is clothed in the ugliest jargon. There are pages and pages to explain that the "arguments for free trade—the optimisation of trade and the maximisation of production—rely throughout upon the assumption that prices correspond to marginal utilities to consumers and marginal costs to society," followed by more pages in the same style to explain why this assumption is often flat nonsense. Then, quite suddenly, Mr Meade has a delightful habit of sitting back and poking fun at his own jargon. Is the British system of taxing wine and subsidising milk, he suddenly asks,

an inadmissible interference with the optimisation of trade and, incidentally, an indirect protection of a home industry, since milk is home-produced and wine imported? Or is it a legitimate case of social economies and diseconomies to encourage the feeding of milk to British babies at the expense of the drunkenness of British fathers? And who, pray, but Her Majesty's Government is competent to decide such an issue?

In the end, Mr Meade believes that—on one proviso—it should be possible to move towards an integrated international market that would be characterised by free movement of goods, while leaving each national government sufficient freedom of action in controlling the trade cycle and influencing the distribution of income and property within its own boundaries. The proviso, which has become something of a King Charles's head in all Mr Meade's works, is that exchange rates should be allowed to fluctuate. But Mr Meade does not believe that national governments would have similar freedom of action in any economic union that aimed at unfettered movement of labour and capital; it is no accident, he remarks sadly, that "in the federal democratic states which really

work in the modern world more and more economic power is passing from the member-states to the central union."

Mr Meade's own preference is, therefore, for moving steadily forward "by a long process of small stages, acclimatising ourselves to the change in conditions at each step." Among the first steps he would like to see Nato developed further into an instrument for fair sharing of the common burden of defence; the World Bank become an instrument for the efficient and just administration of an international budget of grants-in-aid; and Gatt institutionalised into an international trade organisation with its powers increased for the effective removal of trade barriers. Then he would like to see the International Monetary Fund, the European Payments Union and the sterling area become instruments for exchange equalisation between countries whose exchange rates were free to fluctuate in markets which were cleared of controls over imports and current payments; perhaps, as a start, this completely free market would have to exclude the dollar world.

All this is not what the federalists mean by economic union. But it would strike what many will regard as a fair balance between the long-term economic advantages and the short-term economic inconvenience of any union at all. Whether it would lead to greater political harmony or merely open more doors to international political friction is a problem for statesmen—and emotionalists—to decide.

Prewar Tory

ORDERS OF THE DAY. By Lord Winterton. Cassell. 369 pages. 21s.

LORD WINTERTON rounded off 47 years of highly combative politics as Conservative Member for Horsham with a period as Father of the House of Commons, a role which he treated not as a courtesy title but as a major responsibility. In it he made a considerable contribution to the functioning and development of Parliament, not only on the Committee of Privileges and on the Committee which planned the rebuilding of the Commons, but also in day-to-day interventions on matters of procedure and taste. There was nothing pedantic or prissy about these interventions. "The noble lord," to give his Commons title (he added an English peerage to his Irish rank in 1952), rightly saw the function of Parliament as that

of providing an arena in which the political battles of the day can be fought to a finish without quarter but also without malice.

Lord Winterton combined a capacity for being vehemently partisan in his political opinions with an easy tolerance and reasonableness about matters of Parliamentary conduct and practice. He was a strong, though not always an orthodox, Tory throughout the interwar years, and it is largely as an unashamed expression of the Tory views of those days that this book has lasting value. Lord Winterton was for Munich at the time, and he is for it now. He praised Baldwin then, and he praises him now, fitting him, along with Mr Attlee, as the most astute political leader of our time. He recounts with relish his days in opposition to the Liberals before 1914, when he certainly did his best to see that the Whig dogs got the worst of it, and he speaks of Communism and Socialism in much the same terms of loathing and contempt. Yet he is warm in his praise of the Parliamentary qualities of Labour leaders and backbenchers in the postwar years, scorns those who think that Mr Bevan's powers of abuse can be set alongside those of Mr Lloyd George of the Irish Nationalists before 1914, and admits to having "rather liked" the first Communist MP, Mr Saklatvala of Battersea.

As a good Parliamentarian, Lord Winterton sees the main task for oncoming MPs as that of combating the growth of bureaucratic power, and he hints that too much has been made in recent years of alleged breaches of privilege. These, and a host of other points, important and unimportant, he sets out with that honesty and forthrightness which made him such an attractive and, at times, such an infuriating figure in the House of Commons.

Growth and Depression

IMMATURE AND STAGNATION IN AMERICAN CAPITALISM. By J. Steindl. Blackwell. 248 pages. 30s.

IN this study—No. 4 in the monographs of the Oxford University Institute of Statistics—Mr Steindl sets out to examine whether the depression of the American economy from 1929 to 1939 was the product of a long trend towards secular stagnation. He emerges not only with conclusions on this point but also with two sets of theoretical concepts which are a distinct contribution to the increasing effort to create a dynamic theory of economic growth.

These new tools are a dynamic theory of the firm, which develops the theory of imperfect competition so that it may be linked to a theory of growth, and also a new model of growth itself, based on original propositions concerning capital accumulation. The whole represents a sophisticated neo-Marxist theory of how capitalism, becoming increasingly monopolistic, runs down.

The general proposition that binds Mr Steindl's analysis of the American

economy to his partial and general dynamic theories is, roughly, this: investment is systematically related to past business savings, to the relative (fixed) indebtedness of business, and to the degree of utilisation of capacity. The rate of profit affects this system not only through its consequences for business savings but also through its psychological effect on the degree of (fixed) business indebtedness that is acceptable to outside lenders.

Using inadequate American data with energy and imagination, Mr Steindl seeks to establish the proposition that, round about the turn of the century, the growth of monopoly produced a systematic tendency towards excess capacity in American industry; this process, in turn, set in motion a self-reinforcing long term decline in the rate of capital accumulation, business savings, utilisation of capacity, etc. Although the greater degree of monopoly raised profits in the short run in the monopolistic sectors, the general rate of profit declined over the longer period, affecting the level of business savings, capital accumulation, and so on.

Existing data by no means support these related hypotheses unambiguously; and the author is rigorous in pointing to gaps and movements in the statistics contrary to his hypothesis. Broadly speaking, it may be said that the evidence on the effective degree of monopoly in American industry by no means bears the weight that this hypothesis would place on it; that any treatment of the period 1929-39 which ignores the world context in which the American economy operated after 1919 is bound to be incomplete; and that to move from evidence of decelerating growth rates to a persuasive case for secular stagnation requires the exploration of bodies of evidence that the author, *ex hypothesi*, wholly ignores.

Mr Steindl's major problem, in his own terms, is that his theory of American stagnation proves too much: after all, until 1929, the United States was not in the grip of cumulative depression, but growing rapidly at relatively full employment, despite some possible (but not wholly clear) evidences of long run deceleration. Mr Steindl finds a temporary compensatory factor, which concealed the underlying erosion of American capitalism, in the development of corporation finance by share issues to the public. This institutional innovation permitted business to substitute external savings for its own savings without increasing the proportion of external fixed obligations, of which the author makes so much. The collapse of the stock market in 1929, by cutting off this fortuitous source of equity capital, revealed the true decadence of the American economy.

There is hardly a page in this trenchant analysis where the reader will not have questions or wish to introduce factors ruled out by the author in order to produce his simple, powerful analysis. Mr Steindl is not wholly persuasive. His book is, however, a serious, original

contribution to dynamic theory; and his chapters on firm and industry are of major importance, linking as they do the determinants of general growth to those factors which determine the performance of the individual *entrepreneur* and of particular sectors of the economy.

Dry Churchill

THE MARSHAL DUKE OF BERWICK. By Sir Charles Petrie. Eyre and Spottiswoode. 368 pages. 25s.

MONTESQUIEU, who knew him well, found the Duke of Berwick reserved and rather dry; and Sir Charles Petrie's painstaking biography only confirms this judgment. The author has enjoyed access to the archives of the Duke of Alba, but these appear to have yielded little fresh information. Berwick, the illegitimate son of Arabella Churchill and James II, was educated by Jesuits in France and early acquired an authoritarian cast of mind. Nervous of the vicissitudes of politics, he preferred to be the unquestioning soldier. He had a considerable share of the military ability of the Churchills, but his talents and tastes were for the defensive. It is hard to imagine his uncle, Marlborough, saying as Berwick did that what he had most coveted during his whole life was to have had a good fortress to defend.

Sir Charles Petrie's sympathy with the Jacobites has prevented him from bringing out the irony of Berwick's career,

Save yourself...

Almost certainly, you will be able to save yourself a great deal of time and trouble if you apply first to us for books on economics and on the political and social sciences. We make no claim to infallibility. Yet, inevitably, a bookshop reflects the interests of its clients. Our clients include Universities, Government Departments, libraries, banks, learned bodies—and learned men. Their discriminating custom has enabled us to build up a stock, and a service, that we are told is unrivalled in its field.

Mail orders receive the personal attention of the Manager.

The Economists' Bookshop

11-12 Clements Inn Passage, Aldwych, London, W.C.2.

Co-operation at Home and Abroad

C. R. FAY
M.A., D.Sc.

VOL. I FIFTH EDITION
VOL. II SECOND EDITION
Each 25s net

Central Banking

H. DE KOCK

SECOND EDITION 25s net

Wealth

EDWIN CANNAN

THIRD EDITION 12s 6d net

The Value of Money

TJARDUS GREIDANUS

SECOND EDITION 21s net

STAPLES

International Combines in Modern Industry

By Alfred Plummer, B.Litt., M.Sc., LL.D.

Third Edition. 25s net.

"Dr. Plummer, in his survey and analysis of international combines in modern industry, has performed an exceedingly difficult task with intelligence and clarity."—*Financial News*.

"A practical and comprehensive book for all students of economics and industry."—*London Chamber of Commerce Journal*.

Parker Street . Kingsway . London . W.C.2

PITMAN

which was devoted to the laborious defence of France rather than to his family's dream of retaking the position abandoned in 1688. Berwick not only sought service in the armies of Louis XIV but became a French subject. He saved Spain for the Bourbons at the battle of Almanza and was rewarded by being made a Marshal of France and a Grandee of Spain. When in 1715 his half-brother, the Old Pretender, appointed him Commander-in-Chief of the forces in Scotland, Berwick refused as being a subject of France and fortified by opinions from "men of sense, able lawyers and casuists." James's sulky comment was that he had suffered "the humiliation of courting a disobedient subject, and a bastard, too." But Berwick was appointed to the military command of Guienne; and when he died he transmitted wide lands and two dukedoms in France and Spain to his sons.

Sir Charles Petrie has broadened his study by attempting to make it, as his sub-title shows, a picture of the age. But, as he acknowledges, his general conclusions are largely derived from the works of Dr G. M. Trevelyan and Sir Winston Churchill. Frequent quotations advertise the scissors-and-paste technique, though the pungency of some of these quotations, particularly those from Sir Winston Churchill, enliven a narrative which is otherwise like Berwick's own personality, "rather dry."

Crusader and Promoter

MAN BORN TO LIVE.

By Ellen Hart.

Gollancz. 371 pages. 22s. 6d.

THE Red Cross that is now a familiar emblem, clutched at in battles and disasters in almost every corner of the world, is less than a century old; its founder, Henry Dunant, was born just 125 years ago. He came to manhood at a time when people's consciences were unusually stirred by human suffering in its most dramatic forms—the suffering of prisoners, slaves and wounded men. Prison reforms and the abolition of slavery were under way, and indomitable individuals such as Florence Nightingale had begun the onslaught on the horrors of the military hospital. But even the efforts already made were limited by national barriers; at Solferino in 1859 wounded men who fell into the enemy's hands expected nothing but cruelty. Dunant's flaming account of their sufferings started a fire that has never been extinguished since. There is no need to exaggerate the debt of gratitude that humanity owes to him and to the band of pioneers who struggled with him through the first painful years of the Red Cross.

Yet Dunant himself was fated to sink into obscurity and poverty long before his death, and even today his personality is a shadowy one even to many of those who follow in his footsteps. Miss Hart's biography is all the more welcome in that it reveals no saintly stereotype, but

one of the strangest of characters. Henry Dunant was a good Geneva republican with a longing for aristocratic salons; a Calvinist enamoured of mystical Napoleonism; a tirelessly successful evangelist who was at the same time a tirelessly unsuccessful business man. Business brought him to Solferino in pursuit of concessions from Napoleon, and thereafter his long crusade was still interspersed with ill-fated speculations and promotions. Moreover, this man, who for years fought against the apathy and obstinacy of a continent, lacked confidence even in himself; he who did so much for his fellows came more and more to distrust, even to fear, them. Miss Hart may not have been able to expose the deepest roots of this complex and contradictory personality, but she has written a fascinating story which must give rise to further speculation about the human origins of great causes.

Arabia Revised

SAUDI ARABIA.

By K. S. Twitchell.

Princeton University Press (London: Geoffrey Cumberlege). 231 pages. 32s. 6d.

OF the Arab countries, only Saudi Arabia and the Yemen remain little known. They are seen in the distance by travellers who fly or sail to the east, but closer acquaintance is seldom made because neither is keen to give visas except to Moslem visitors. Yet Saudi Arabia is important, both spiritually and materially, to much of the world, for it contains both the holiest city of Islam and ten per cent of the world's oil reserves.

When Mr Twitchell's handbook was first written in 1946, it provided the traveller with information unobtainable elsewhere on everything from roads and the right behaviour with a coffee cup to history and antiquities. Since then, the face of certain parts of the country has greatly changed. Income from oil has risen from about \$13 million to about \$170 million per annum; a railway has been built from the capital at Riyadh to the Persian Gulf; the area under cultivation has considerably increased; a US Air Force base has been established at Dhahran and the country's new wealth, instead of flowing entirely and directly into the pocket of the ruling family, is channelled or partly channelled through a Saudi Arabian Monetary Agency. Unfortunately Mr Twitchell seems to have lacked facilities for thoroughly revising his book. It is printed in its old form but with footnotes directing the reader to a new last chapter on developments since 1946. These are given in the form of notes supplied by foreign commercial companies working in Saudi Arabia and are fragmentary; the author's emendations to them are maddeningly located in a separate series of "notes to the text." But half a loaf is better than no bread, and this is—apart from Aramco's excellent handbooks for its employees—the only English book of its kind.

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.

Paying for Security

Washington, D.C.

WHEN the Secretary of the Treasury held a press conference on August 27th to discuss the revised budget, he complained that a wrong emphasis was always put on the monthly cost-of-living figures when they were published. In concentrating on the rise of the index a day or two before to a record level, he said, most people had missed the real significance of what was happening. In his view the important fact was that there had been a change of only one half of one per cent in the cost of living in a year—a proof that the United States had a stable economy at a high level. The latest figure, published this week, increases the rise to three quarters of one per cent above last year, and, as usual, all the headlines spoke of new records. But this does not detract from the truth of what Mr Humphrey said.

The stability of the economy has, indeed, been remarkable ever since the end of the sharp inflation which followed the outbreak of the Korean war. The gross national product has risen steadily from an annual rate of \$340 billion in the first quarter of 1952 to one of \$372 billion a year in the second quarter of 1953; personal savings are now 6.9 per cent of disposable income as against 6.3 per cent for the same quarter of last year; and wholesale prices are almost 2 per cent lower than they were a year ago. Yet uneasiness about the future is in the air.

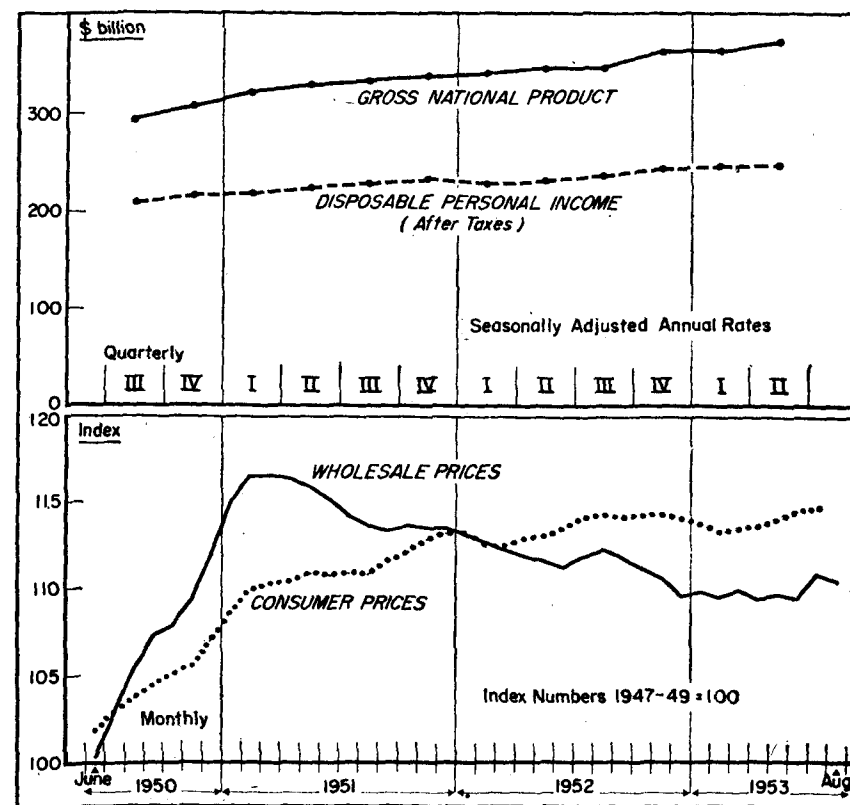
It is easy enough to point to evidence to support this feeling, but it should also be added that far-sighted people have seen much of that evidence on the horizon for many

months and the economy has remained unmoved. Today, however, there has to be added to the facts previously available the coming decline in government expenditure. The revised budget showed that, for the first time since 1948, actual expenditures in this fiscal year will be substantially greater than the authority to incur new obligations granted by Congress. This means, as Mr Humphrey pointed out, that expenditures will decrease progressively over the next few years.

Senator Douglas, in a recent statement, expressed his fears that there would be some worsening of economic conditions and an increase in the number of unemployed during the winter and spring. He mentioned the falling-off in residential construction—from a seasonally adjusted annual rate of over a million and a quarter new houses started in February to one of only a little over a million today—and said that he expected a drop in all types of building. He also pointed to the increasing difficulty of selling motor-cars and farm

machinery and the recent unsteadiness of the stock market.

The Senator added that, if unemployment reached 5 per cent, "we should get ready to move swiftly" and that programmes should be put into effect the moment it reached 7 per cent or 8 per cent. Mr Humphrey—even though he told the National Press Club last week that the best thing to do was to "let the free, competitive economy operate itself"—would probably agree with him and some, at least, of the new Administration would agree with Mr Humphrey and would be prepared to take whatever



steps are thought necessary to turn the tide. The Administration is, however, to some extent—though to what extent it would probably take a minor emergency to discover—the prisoner of its campaign promises to reduce spending and, even more, of its Congress.

The revised budget was, in its way, a gratifying performance—and one for which Mr Humphrey and Mr Joseph Dodge, the Director of the Budget, were entitled to take the credit they claimed. But close examination of the figures and close questioning of the Secretary of the Treasury about the future revealed how difficult the fiscal year ending in June, 1955, is going to be for the Administration.

Revenue for the present fiscal year is now estimated to be \$68.3 billion and a budget deficit of \$3.8 billion is expected. In the next year, however, receipts will be some \$8 billion lower because the excess profits tax will expire at the end of the year and individual income taxes will be reduced 10 per cent at the same time, while some excise taxes will die and the corporate tax rate will be lowered at the end of March. Unless new sources of revenue are discovered, expenditure will have to be cut by nearly \$12 billion below the present reduced rate to achieve a balanced budget. It is not easy to see how this can be done, although some savings will flow automatically from the reduction in obligational authority, nor is it easy to see how new sources of revenue are to be tapped without a terrible struggle with Congress.

More than 85 per cent of this year's reductions in government spending have been at the expense of the national security programme—a term used to cover the military functions of the Defence Department, the Mutual Security programme and atomic energy—and the rest comes largely from more efficient, or, at least, cheaper, management. In some cases chaos rather than greater efficiency seems likely to result from the dismissal of able employees in the name of economy. But even if order is established, it is unlikely that further great savings can be made on the management side. And the cuts in the national security programme which have already been planned can hardly be carried much further. Congress could, and well may, cancel some of the unobligated appropriations for foreign aid, but anything saved on mutual security will no doubt be spent on continental security. The Russian hydrogen explosion has ensured that.

★

The alternative seems to be that new sources of revenue must be found or that Congress must be persuaded to extend taxes which only too many of its members are pledged to kill. That the President realises this was clear from his statement—buried in the patriotic peroration of his Boston speech—that no tax is too hard to bear which is necessary to the defence of American freedom. Attention has been concentrated on the possibilities of a federal sales tax—because the Secretary of the Treasury said at a private dinner that it was “very much in the picture”—but this is, in fact, only one of forty methods of finding the necessary money that are being studied. Among the others, according to Mr Humphrey, when he was speaking in public, is an increase in the income and corporation taxes and a manufacturer's excise tax. None of these ideas will be popular with Congress. The President's own party has been waiting for years to fulfil its promises to reduce both

income and corporation taxes, and the day-dreams of Republican Congressmen are dying hard.

The party of big business might be expected to prefer a sales tax or its less obvious version, the manufacturer's excise tax—levied as is the purchase tax in Britain—but next year is an election year and the Republicans cannot afford to lose an unnecessary seat in either House. Mr Reed, the chairman of the House Ways and Means Committee, has given his opinion of a sales tax in no uncertain terms. Senator Carlson, who is close to the President, has stated his opposition as well as his belief that the Administration will not propose one. For the Democrats, Senator Douglas has already warned Mr Eisenhower that, if a recession should be threatening, “the worst thing that could be done” would be to cut income and corporation taxes and impose sales or excise taxes instead, and has added that the opposition would not allow the country to forget that the rich were being spared at the expense of the whole body of consumers. The next session of Congress will therefore see a fight between those, among whom is Mr Humphrey, who believe that the budget can, and should, be balanced at any level, those who will support alternative methods of doing so and those who refuse to face the political consequences of balancing it at a high level. If precedent is any guide, the latter will win; the budget will remain unbalanced and the unexpected speed of Soviet atomic development will take the blame.

No New La Guardia

FROM A CORRESPONDENT IN NEW YORK

FOR reasons which go deep into history and political habits, the choice of political candidates at a primary election in New York City is usually a pallid affair, bearing little resemblance to the vigorous campaigns more customary in the west. Last week's primary was no exception. In the Republican and Liberal parties there was no public contest. Their candidates for Mayor had been chosen by the respective party leaders. The Democratic party was split between two factions, yet only about a quarter of its two million enrolled voters bothered to take part, although the battle was the first real one in sixteen years, and the need for an able candidate was painfully apparent.

Mr Robert Wagner, the son of the famous Senator secured 350,000 votes. The present Mayor, Mr Impellitteri, received hardly more than half as many (181,295) and the remaining 14,000 were divided between two almost unknown district leaders. Mr Wagner is therefore officially designated as Democratic candidate for Mayor in the November election. He represents the party's liberal wing; he is backed both by the local boss and by the men who want Mr Stevenson to be the next Democratic candidate. Unless Mr Impellitteri can get sufficient backing to run as an independent, Mr Wagner stands a chance to win in a three-sided contest against Mr Harold Reigelman, the Republican candidate, and Mr Rudolph Halley, the choice of the Liberals, a party that operates only in New York State.

It is too early to say with any certainty how good that chance is. If Mr Wagner wins, he will inevitably put the city squarely back in the hands of Tammany Hall, the local

Keeping an eye on the ball

HOURLY the items come crowding in—Home news, foreign news, Court news, financial news, sporting news, letters, criminal cases, articles, pictures. The Editor must sieve and decide, and sometimes regret. But, having put first things first, the Manchester Guardian always finds ample space for sport.

There is no reason (the Manchester Guardian believes) why those who write about sport should not also write well. Too often a curious jargon afflicts the sports reporter. You can trust your Manchester Guardian to be as stern against cliché, jaded simile, silly slang, in its sports columns as in all its other features.

Those who love ball games will gain renewed pleasure in following their sport in the Manchester Guardian. They will find there the felicity of judgment, the telling phrase, the respect for the English language, which mark the Manchester Guardian as a whole.

*If you have any difficulty in getting your
Manchester Guardian regularly, please write to:
The Manchester Guardian, Manchester.*



A gracious welcome to your guests

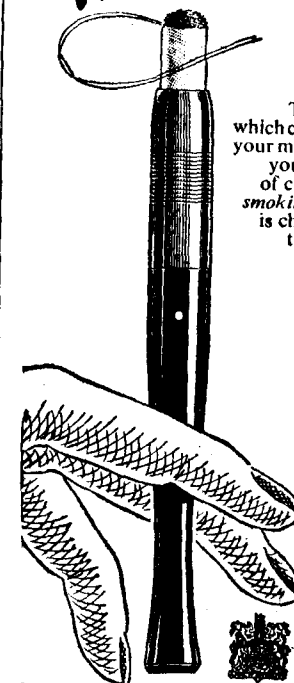
20/- bottle • 10/6 half bottle

Now!

De-Nicotea smoking
ensures

nothing but pleasure
from each cigarette

This Dunhill Holder contains a Crystal Filter which cools the smoke, keeps tobacco particles from your mouth and absorbs nicotine and tar. It enables you to keep on smoking your favourite brand of cigarette with the added enjoyment of filtered smoking too. Each filter lasts for 20 cigarettes and is changed in a moment. Ask your tobacconist to show you the Dunhill De-Nicotea today. Price 17/6 (in box with 10 filters).



DE-NICOTEA
CRYSTAL FILTER

Cigarette Holder

ALFRED DUNHILL LTD., 30 DUKE STREET, LONDON, S.W.1
Renowned for pipes, lighters, cigarettes and tobaccos.

Democratic machine from which it slipped momentarily during the Impelliteri regime. The Tammany tiger is old, corrupt, ridden by parasites and nearly toothless, but it still has power enough to fill subordinate posts and perform expensive political favours, especially if it can find a respectable front.

Mr Wagner is better qualified to play this part than the present Mayor. A first-generation American of German descent, he is not only the son and namesake of a widely loved father, but he carries the endorsement of Franklin D. Roosevelt Jr and thus symbolizes all the nostalgic sentimentality which rings a halo around the New Deal in the minds of those who remember that interlude with affection. (This may cost him the votes of those Democrats who do not.) He has a liberal background, certain social graces, a good education, and some political experience. Graduated from Yale in 1933, married to a lady who took him into that America Debrett, the New York Social Register, he has also served a term as President of the Borough of Manhattan. If he has not yet established a reputation for much strength, he still ranks as a coming young man. Obviously he looks very useful to a political machine which both the Irish and the Italians are fighting to control, and which is in need of a cloak of political virtue.

Those who rely on the fact that New York is traditionally a Democratic stronghold expect Mr Wagner to win in November, and count on that victory to aid the party's national aspirations in 1956. They argue that the public's resentment of the rent increases, and the trebling of underground fares, will be directed against the Republicans at the State capital, who forced them on the city, and that labour corruption on the piers will be laid at the door of Mr Impelliteri, who was, during part of the time, at odds with the leader of Tammany. The same Democratic optimists expect that the opposition vote will be split between Mr Reigelman, the Republican and Mr Halley, the Liberal. However, this triangle has some of the characteristics of an equilateral. Mr Wagner poses as a liberal, and as labour's friend. So does Mr Halley. Mr Halley, President of the New York City Council, knows a great deal about the government of New York. So does Mr Reigelman, founder and head of that private watchdog organisation, the City Budget Committee. All three of them vie in protestations of intent to reform the city's government.

★

These protestations are necessary because New York is caught in a particularly unpleasant version of those ills which afflict several big American cities. In the public mind, the task of governing the city is a dull administrative job. It attracts men of high calibre only about once in a generation, when matters get so bad that they feel impelled to turn from more interesting affairs to set the municipal house in order. The rest of the time the bosses rule, and only as well as is convenient.

The present period, however, is one in which the power of the bosses is declining. At the same time, able men are moving from the centre to the suburbs, leaving municipal affairs more than ever to the venal and the mediocre. The result is a creeping decay. Even the charter under which New York City is governed creaks at the joints. The city is in debt to its eyebrows; its physical plant, worth some \$14 billion, has been shown, in recent private studies, to be deteriorating; its harbour, source and symbol of its great-

ness, appears in public studies as a combination of the archaic and the corrupt.

This should have been one of those years when Tammany's opponents unite to bring forth a political genius. The city needs one, and the omens were favourable. Twenty years ago it was Fiorello La Guardia who became such a leader, forty years ago it was John Purroy Mitchell. For a time it looked as though an energetic New York Congressman, Mr Jacob Javits, who is a Republican, would be chosen to follow in those distinguished footsteps, but the necessary alliance between the Republicans and the Liberals failed to materialise. It is said, though perhaps unfairly, that Governor Dewey did not want New York City in the hands of a Mayor of his own party during a period when financial straits were such that the city's rulers must come periodically to beg favours from the state.

As for the Liberals, they are divided between non-partisans yearning for a new La Guardia, and a group ambitious to see their party replace the city's ineffective Republicans as the real contenders against Tammany. This group was willing for an alliance with the Republicans until a newspaper poll convinced them that the Liberals could win on their own with Mr Halley. The temptation was too great, and the moment of possible fusion passed without action.

Thus New Yorkers must choose between three men, no one of whom has yet given signs of being the Moses (or in New York terms, the La Guardia) needed to lead them out of their present morass. The struggle will be lively. The real question is how many citizens will find it important to listen or take part.

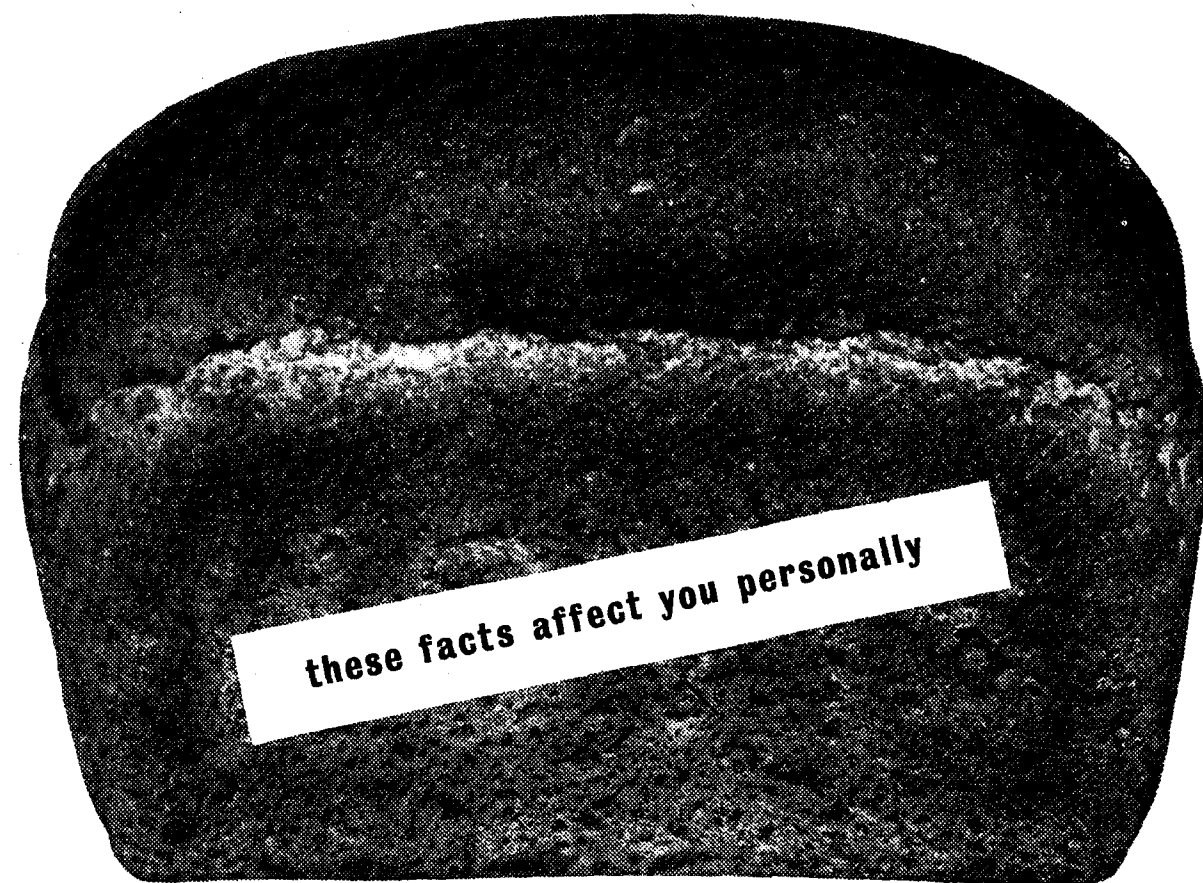
American Notes

President's Problems

ON his return to the White House after six weeks in Colorado President Eisenhower faces a large accumulation of business. Apart from finding a new Chief Justice and a new Secretary of Labour, he has important decisions to take in foreign and home affairs. One of these will be whether to deliver what must be by now the most rewritten address in American history: the "candid" explanation to the people of what atomic and hydrogen bombs imply for them. One of the implications, as the President has already hinted, might well be an end to the policy of reducing expenditure on defence.

The series of speeches for which the President is booked during the autumn, together with the radio talks which he may give, are expected to provide some lead to the members of his party in replying to the Democrats, who showed at their recent Chicago rally that they are ready to go into business as an opposition. Because this lead has not yet come the Republican reactions to the Chicago rally were bound to be rather uncertain, and the possession by a

BREAD is our staple food



You now have a free choice of bread. Even if you're the most casual reader of newspapers, even if you glance only occasionally at a magazine, you've probably read the opinions of three or four different journalists on this subject, and as no two of them ever seem to think alike, you might wonder what all the arguing is about.

To understand the thing properly you have to start at the wheat which is the basis of bread, and to realise that the making of flour is not quite so simple as it looks. Even a single grain of wheat is not a simple thing—small though it is, it is made up of many different parts, some of which are better suited to the feeding of animals than to the nourishment of human beings. So the miller's job is not just to grind the wheat grains into powder, but to break them up in such a way that he can separate and sort the different parts. Each can then be used for the purpose to which it is best suited. Broadly speaking, the main constituents of a wheat grain are:

1 The starchy white kernel—the technical people call it endosperm—which is the only part used in the manufacture of pure white flour.

2 The bran, which is composed of the six layers of skin on the grain. This is mostly used for the manufacture of animal feeding stuffs.

3 The germ, which might be compared with the yolk of an egg, for it is the embryo of new life. If the grain is sown in the ground it is the germ

which will develop into the new plant. It is this part, incidentally, which contains a high proportion of the wheat's food value.

The miller, then, has to separate these things from each other and make the flour in the way which he thinks will best please the baker and, more important, you who will buy and eat the bread. He mills the grain, in fact, according to any one of a number of standards and leaves the choice to you. These standards differ, but here are a few of them:

Pure white flour. The bran has gone. The germ has gone, too—and this is a pity, for with it have gone important elements of the wheat, and a very pleasant flavour. To make up for these dietary losses the flour may be "fortified" with vitamins and other nutrients, real or synthetic.

"National" flour. Some, but not all, of the bran and germ have gone. The loss of the bran worries some expert dieticians, pleases others, but they mostly agree that the low germ content is a disadvantage.

Wholemeal. Just what it sounds—the whole meal, or wheat berry, ground to a powder, with nothing added and nothing taken away.

Hovis flour. The bran has gone to do its most useful job, that of feeding the animals. The germ goes too, but only temporarily. At one point in its manufacture the flour is in its natural creamy state—unbleached of course—and then the important things start happening. The germ, which you remember contains so much of the wheat's natural goodness and flavour, is cooked by a special process to prevent deterioration; it is then put back into the flour. More than that, many times more germ is added to make it richer still.

Nature's Best

Well, it's going to be entirely up to you to choose your standard. Bread of any kind is a valuable food, possessing as it does, body building properties and providing abundant energy. We don't try to hide the fact that this announcement is made with the intention of influencing your choice—because we sincerely believe that nature's best is still the very best. But whatever you do, remember that bread is a staple part of your diet; choose carefully.

Hovis Limited SEPTEMBER, 1953.

convention of Republican women of a platform in the same city a few days later was not of much avail. Senator Ferguson, who is chairman of the Republican Foreign Policy Committee, duly denounced Mr Stevenson's suggestions on foreign policy as amounting to appeasement, but is in real danger of seeing them all endorsed by the Administration. Already at the United Nations Mr Dulles has acknowledged Russia's right to an assurance of her security and has repudiated a policy of forcible "liberation" of eastern Europe, and Mr Eisenhower is now reported to be considering, what Mr Stevenson thought was needed most of all, a new American initiative over disarmament.

Looking round for issues that might destroy the Republicans' precarious hold on Congress in the 1954 election, the Democrats clearly see most hope in the government's obligation to promote legislation on agriculture and labour relations in the next session. The Republicans may well be right in claiming that Mr Durkin's resignation as Secretary of Labour has not cost them vital support, as the trade unions were against them anyway, but a swing in the farmers' vote could make a big difference. This would explain why repeated references by Mr Benson, the Secretary of Agriculture, to his faithful execution of existing provisions for keeping farm prices at a fixed high level, have replaced his former, well-grounded strictures on the system. Still, the present law expires next year, and the government will have to commit itself before the election either to keeping the same system going or to trying a more flexible method that would save on subsidies but might be costly in political support. The Democrats can be relied on to make the most of the dilemma that they have been bequeathed to their opponents, even though at Chicago two of their own ex-Secretaries of Agriculture were caught on opposite horns of it.

Nixon in the Lions' Den

THE dispatch of Mr Nixon, the Vice President, to the convention of the American Federation of Labour shows that the Administration is anxious to waste no time repairing the damage done by the resignation of Mr Durkin, the Secretary of Labour. It is not customary for the President to do more than send a written message to a trade union convention, although by tradition he is invited to attend in person. The AFL shows no signs of being mollified by the appointment of this Ambassador extraordinary and the conciliatory message he brought. Trade unionists were not likely to forget that it was Mr Nixon who, with Mr Weeks, the Secretary of Commerce, was credited with having persuaded the President not to sponsor the amendments to the Taft-Hartley Act which Mr Durkin felt he must secure to justify his remaining in the Administration.

The President, in his message, promised that his own suggestions for amending the labour law would be sent to Congress when it reassembles in January and that labour's views would continue to be sought. He did not retreat, however, from his position that the Act had been successful in protecting the rights of management, the trade unions, and individual workers, although it had defects which should be remedied. Mr Eisenhower was diplomatic enough not to refer to Mr Durkin's departure in more than general terms. Mr Nixon, however, flatly asked for a withdrawal

of Mr Durkin's statement, made to the convention a day earlier, that the President had gone back on an agreement with him. The dispute over what may have been a simple misunderstanding has now gone too far to be settled amicably. Mr Meany, the president of the AFL, in any event, had hardly set the scene for a reconciliation when, in his opening address, he charged the Administration with subordinating human values to the material welfare of the "greedy few." Such prospects as ever existed of a broad agreement on amendment of the Taft-Hartley Act have now flown out of the window, and the life of the next Secretary of Labour is not likely to be an easy one.

On the other hand, the breach between the Administration and the AFL will remove at least one of the obstacles to a closer working relationship and perhaps eventual unity between the AFL and the Congress of Industrial Organizations. The conclusion of a no-raiding pact with the CIO, along with work on machinery to settle internal jurisdictional disputes, is the main business of the convention. As long as the AFL felt it had the ear of the President, the CIO was likely to suspect the sincerity of its desire for a common front.

Compatible Colour

AT the end of last month when a televised transmission in colour of the puppet opera "St. George and the Dragon" was seen in black and white on ordinary sets with unusual clarity, colour television moved a big pace nearer the American home. The Radio Corporation of America had proved that its colour system was truly "compatible," because definition was good whether or not the programme was actually received in colour. The same point was made in sixteen volumes of technical evidence presented by the National Television System Committee, representing the leading manufacturers, to the Federal Communications Commission with the request that RCA's method should be declared the standard one for all colour television. This request even had the support of RCA's rival, the Columbia Broadcasting System, whose incompatible method had been adopted as the commission's standard just before the Korean war put a temporary stop to development.

As the commission's deadline for the receipt of opposing views passed without any substantial protest, and the three main companies now putting out television programmes will be staging a full-scale test in a hotel on Long Island on October 15th, it looks as though a favourable verdict may be reached by the end of the year. Then for competing broadcasting companies, and for television set manufacturers and dealers, the battle of the colours will really be on. The timing is very convenient for the manufacturers, who were afraid that their present high rate of production, running now at 7½ million sets a year, could not last beyond 1954. By then the industry expects to have met the bulk of the demand from new viewers brought in by the rapid growth in the number of television stations; in the eighteen months since the FCC raised the ban imposed while it was sorting out the allocation of wavelengths, the total number of stations with permits to operate has gone up from 108 to 229.

It is the retailers of television sets who are most worried

at the moment. Their sales are already failing to keep pace with rising production, and they are afraid that they will be left with large stocks of old models on their hands while customers wait for the arrival of cheap colour sets. To protect themselves the retailers are planning a "powerful programme of consumer education," pointing out that the only colour sets available next year will be expensive (\$800 to \$1,000) and small, with only a 14-inch screen, and that mass production is several years off. But these arguments may be upset by the announcement of one firm, the Emerson Radio and Television Company, that it will be supplying the new kind of receiver at only 25 per cent above the cost of the old eighteen months after the FCC has given its consent for colour transmissions.

Arming for Tariff Battles

THE Randall Commission, which is to chart a new Republican course on foreign trade for the President, held its first meeting this week at the White House to receive its marching orders. This is none too soon if the commission is to have its recommendations ready by March. Even that may be late in the session for debate and action by a Congress already eager to make an early start on its election campaigns. The President's parting instructions to the commission were to be realistic and bold, and to apply faithfully one standard: what was best in the national interest.

In view of the special interests which are ready to bombard the commission, and the tendency of many Congressmen, particularly if they come from farming states, to think of the national interest in terms of stimulating exports rather than imports, Mr Randall is fortunate in the launching, just at this time, of a new Committee for a National Trade Policy composed of distinguished representatives of big business. It will be devoted to spreading the gospel that, without the expansion of trade and opportunities to earn dollars, foreign countries will not be able to provide for their own security and may be driven back on trade with the Communists, and will point out that the size of American export markets is determined by the ability of other countries to earn dollars.

Although the unfreezing of American trade policy must wait for the Randall report and perhaps a good deal longer, the President himself will have opportunities before then of applying his own principles. Under the Act extending the reciprocal trade programme, he must break ties on the Tariff Commission, which is now split evenly along party lines over the demand of the glass industry for relief from foreign competition, with the three Republican members favouring increased protection. An application for relief which carries more political dynamite is that of the owners of lead and zinc mines, which is to be heard in November. Falling prices have closed many marginal mines, which came to life during the Korean boom, but have not discouraged imports of the metals. The unemployment in western mining towns had already led two Congressional committees to ask the Tariff Commission to make an investigation even before the industry submitted its request for a 50 per cent increase in duties over the levels prevailing in 1945 (they are now lower) and the imposition of quotas whenever prices fall to 15 cents a pound or less for either metal.

SHORTER NOTES

The first casualty has occurred among the business men who came into the government this year. Mr Craig Sheaffer, one of the Assistant Secretaries at the Department of Commerce, has brought on himself the wrath of the scientists by recommending the dismissal of Dr Astin, head of the National Bureau of Standards, for disregarding market considerations in the testing of commercial products. Now his scheme for enlisting the help of the manufacturers in organising the Defence Production Agency has been arousing the critical interest of the Anti-Trust Division of the Department of Justice. Mr Sheaffer decided that he would rather go back to Iowa and manufacture pens.

★

In compliance with this year's special Immigration Act, the President has formally transferred the responsibility for administering its provisions from the Department of Justice to the State Department. This means that the State Department's Security Officer, Mr McLeod, who is already so popular with Senator McCarthy, will have the opportunity of making an equally good impression on Senator McCarran, who was responsible for writing into the Act the elaborate screening arrangements that may well defeat its stated object: the admission of an extra 209,000 refugees and immigrants from over-populated countries in the course of the next three and a half years.

★

It is to be hoped that the return of Mr Emmet Hughes, President Eisenhower's most successful script writer, to the staff of *Life* will not have too noticeable an effect on the President's forthcoming series of speeches. Mr Hughes joined Mr Eisenhower's campaign staff at a time when the general's prose style seemed in danger of foundering completely, and was responsible both for his promise to go to Korea if elected and for part, at least, of the best speech he had made so far in office: the address on foreign policy to a group of editors on April 16th.

★

After 51 years of giving financial help to education, the General Education Board of the Rockefeller Foundation is to close its books this December, for its resources are nearly exhausted; it is spending its last \$5 million this year. Since 1902, the Board has paid out \$316 million, the bulk of which helped colleges and universities, especially in the poor southern states where education needed the encouragement that money could give.

★

The hot, dry weather in August seems to have saved the Secretary of Agriculture from having to impose marketing controls on next year's maize plantings, although it is still likely that they will be required for cotton as well as wheat. The September forecast for the maize crop, at 3,216 million bushels, was over 100 million bushels lower than the August estimate.

★

A rise in revenue and a reduction in underground travel have been the expected results of the fare increase on the New York City transport system in August. In the third week of its 15 cent fare there were 11 per cent fewer passengers, and total earnings rose by 33 per cent.

The World Overseas

New Blood in Iraq

IRAQ is a country in which cabinets that appear to be coasting in style seem to tire and topple overnight. Last week, the one which had ruled since the general election of January collapsed without public warning. Its elderly premier, Jamil el-Madfai, was in poor health and some say, unwilling to face another session of Parliament without a firmer majority. Since he had Nuri Pasha in his cabinet, and Nuri's following holds eighty-four out of the 141 seats in the lower house, this second suggestion is flimsy. There were other impulses behind the change, and one of them was royal awareness of a discontent that has often been described in *The Economist*—that of a younger group of liberals and radicals who despair of achieving social change so long as cabinets consist in the main of elderly feudalists.

For some weeks, therefore, discussions had been taking place between the royal house and senior politicians. Iraqis are always well informed about events in Persia, and it is possible that the ex-Regent thought to take time by the forelock. One of the prominent Iraqis whom he consulted, Dr Fadhil el Jamali, expressed disagreement with the future plans of the men in power, and after some days spent in debate with both the young king and the ex-Regent, was asked to form a cabinet. He is a well known figure abroad as he frequently represents Iraq at the United Nations.

In some respects the novel and unfamiliar group that Dr Jamali has produced shows considerable promise. Its handicaps are that it is young for a country in which age, not youth, is normally the generation to have its way; that it includes many men with no ministerial experience; and that it contains only four members of the majority party—Nuri Said's party—and might therefore become vulnerable to attack in parliament. As against these drawbacks, it includes a few tried and able men. Its Minister of Finance, Abdel Kerim el Uzri, has held the job before and held it with distinction; in 1949-50 he set Iraq's finances straight after the disastrous months that followed the Portsmouth treaty riots, and he played a leading part in pushing into being a national Development Board founded on the oil royalties. Its Minister of the Interior, Said Qazaz, who is a Kurd, was—at Mosul—perhaps the most efficient *mutassarif* contemporary Iraq has known; being an older man and a person of strong character, he may supply the group with some necessary ballast. It brings an intelligent experienced mind to the ministry that runs the Development Board, and a young man of promise to that of Agriculture. Their parliamentary problems apart, men of this calibre could do

Iraq immense service simply by re-organising the machinery for carrying out a government's intentions; parts of the civil service have run down sadly in recent years, principally owing to over-staffing and to a consequent lapse into old-fashioned habits of passing much time in chat.

One great national advantage to be derived from a steady cabinet would be the gift of time in which plans already set in motion by the Development Board can continue to mature. Of the Board's new big schemes, that which will afford the Tigris flood an escape into the immense depression of the Wadi Thathar is the farthest advanced; tenders for the next big one, the Dokhan barrage on the Lesser Zab river, are invited next month. *The Economist* is among the many onlookers who regret that Iraq, in its new Development Law passed in July, altered the shape of its Development Board from that of a permanent body of experts responsible to Parliament only through the Prime Minister, into an ordinary ministry; it felt that the chances of continuity were sadly impaired by the change. The new Minister of Development, Ali Haidar Sulaiman, is—as was his predecessor—a competent man, and is unlikely to interfere with programmes that are already afoot. But for the future, there remains the risk that if cabinet changes are as frequent as in the past, development may be reshaped according to personal predilections, and be tampered with to the detriment of work on schemes that ripen slowly; it is to be hoped that this ministry will, by long survival, postpone that evil day.

In a word, this cabinet is unlike all its predecessors; for the first time it offers responsibility to a generation that has been highly critical of Iraq's older men. Though representative of Iraq's small but growing population of middle-class townsmen, it is wonderfully free of the impractical idealists of whom that brave new world is largely composed. A feature that could work for it or against it is that it contains more Shiah members—seven in all—than any of its predecessors. From Turkish days, the ruling class has been of Sunni persuasion, but the Shiah sect forms the majority in the country; the change reflects the spread of education to people who were once underdogs. There is no reason to suppose that the cabinet will make any changes in foreign policy. Its chances of success lie in its patent capacity for work; the principal threat to long survival is its dependence on the conservative majority in Parliament. For the moment, the die-hards will no doubt be condescendingly ready to watch it manufacturing rope with which to hang itself. Its testing time will come when they tire of novelty.

Swiss Trade Behind the Curtain

FROM OUR SPECIAL CORRESPONDENT

NEITHER in government nor commercial circles in Switzerland is an optimistic view taken of future trade prospects behind the iron curtain. True, it is realised that something may come of the interest in the home consumer recently shown by the Soviet government and, in a lesser degree, by the rulers in Prague and Budapest; and nobody would object to buying food and coal from these familiar and former sources if the prices were reasonable. But experience has shown—and the evidence of individual businessmen confirms—that trading policy behind the iron curtain is at the mercy of Moscow's complicated centralised planning, and that important structural changes in the pattern of Eastern Europe's economic activity have been made which cannot be changed easily.

Indeed, Switzerland's experience provides valuable evidence of the extent to which eastern—rather than western—policy has deliberately restricted commercial exchanges; for in that experience consideration of cold war and unofficial blockade have not played the part that they have played, say, in American or German policy. For Switzerland has not been subject to the restrictions of the Battle Act. A typical example is provided by Czechoslovakia. That country furnished in 1938 3.6 per cent of Switzerland's total imports and in 1947 the amount rose

SWISS IMPORTS FROM EASTERN EUROPE
(As a percentage of total Swiss imports)

Imports from	1938	1947	1950	1952	1953*
Poland.....	1.6	1.6	0.7	0.5	0.8
Czechoslovakia.....	3.6	5.4	2.1	1.2	0.9
Hungary.....	1.6	0.7	1.1	0.4	0.2
Soviet Union.....	1.8	0.2	0.2	0.2	0.3
Rumania.....	1.6	0.1	0.1	0.1	0.3
Bulgaria.....	0.3	0.1	0.1	0.1	0.03
Eastern Europe Total.	10.5	8.1	4.3	2.5	2.43

* Half year.

to 5.4 per cent. After the Communist seizure of power in 1948 the figure fell from 2.1 per cent in 1950 to 1.2 per cent in 1952 and to 0.9 per cent for the first half of this year. Swiss trade figures, recently analysed and published by the *Neue Zürcher Zeitung*, also show how the surpluses that used to provide the eastern exports to Western Europe have been dwindling and disappearing. In 1938 one-third of Switzerland's grain and fodder needs were met by the Soviet Union and the satellite countries; now the figure is under 4 per cent; one-quarter of its petroleum came from Rumania, now there is none; from Poland in 1938 came 150,000 tons of coal—in 1950 this had dwindled to 50,000 tons, largely because of the high price.

The way in which, hitherto, the governments of these countries have favoured capital goods imports rather than consumer goods is illustrated by the fall in Swiss textile exports, by the rise in machinery exports from 4,832 tons in 1938 to 12,878 in 1950 (with a sharp fall to 6,578 in 1952); and by the fall in Swiss watch exports from 1.6 million (watches) in 1938 to 264,000 in 1952. One or two agricultural articles imported into Switzerland from Eastern

Europe have held up well and Swiss exports of instruments have remained steady. But the general picture is of sharp decline. The satellites have not been offering the food and raw materials that Switzerland wants, either in sufficient quantity or at competitive prices. One main reason is that Communist planning has raised the percentage of their trade done with the Soviet Union from $\frac{1}{2}$ per cent in 1938 to about 30 per cent in 1952; the second is the concentration of their investment in heavy industry at the expense of agriculture. Other contributory causes have been Communist price policy, ranging from excessive prices for coal to dumping prices for textiles; payments difficulties; and the success of the Swiss in paying their way for what they want from dollar, sterling and other sources. If the old pattern and scale of trading is to reappear in the way Communist propaganda says it could, there is a great deal of work and negotiation to be done.

Assize of French Radicals

LAST week the fashionable spa, Aix-les-Bains, was flooded with important political personalities and offered an impressive display of oratory. The Radical-Socialists had come down for their annual congress. True, they are no longer the power of prewar days, but with over 70 deputies they are a crucial element in any centre coalition. They have also in their ranks a large collection of important political figures headed by the party's chairman, the president of the National Assembly, M. Herriot, and including present ministers, like the finance minister M. Edgar Faure, former premiers—MM. Queuille, Mayer and Daladier—and a potential premier in the person of M. Mendès-France. Indeed, the rank-and-file were overshadowed by the leaders.

Coming after the biggest postwar strike wave in France and after Dr Adenauer's electoral victory, the congress turned out to be something of an anti-climax. True, there was much talk of the revolutionary situation and parallels were drawn with the French Revolution, of which the Radicals claim to be the heirs. Yet the contradictions, indecision and patched up compromises were not of a nature to provide leadership for the cure or transformation of the new *ancien régime*. On the main issues—the cure for France's economic crisis, and its attitude towards EDC and towards the vague socialist proposals of a "socialist and democratic front"—the congress gave no clear answer, or rather it avoided choosing between conflicting replies.

Indeed, the Radical party presented in miniature the weakness and dilemmas of the present coalition government. It has been aptly compared to a "club" rather than to a disciplined and homogeneous organisation. Though it participates in M. Laniel's cabinet, the government's policy does not find favour with many members of the party, even the economic policy directed by a Radical. On European defence the Radicals are as divided as the government itself. Finally, they cannot make up their minds whether the balance of the parliamentary centre should shift to the left or stay on the right. Covering themselves both ways, they have ministers in the Laniel team and a much fancied outsider in M. Mendès-France.

No amount of rhetoric could hide these discrepancies. M. Faure, naturally enough, defended the present economic

policy as one of "effort and hope." In the absence of several leftish delegates from the south-west, the postmortem on the crisis was harder on the strikers than on the government. True, nobody denied the need to improve workers' conditions, but the emphasis was on the need to prevent strikes by public employees. All agreed on the need for change, yet it was left to M. Mendès-France to reiterate his alternative policy. Once again he sounded the tocsin and demanded not expedients but a new deal. He did not spare M. Faure and criticised the investment plans of the government. He attacked the delusion that it is possible to give more to some without reducing the privileges of others as well as unproductive resources (i.e., defence). The strikes were caused by "sadness, despair and discouragement," and the workers would not accept a new fraud. And M. Mendès-France ended on a historical note: "Listen to this growing clamour. We are in 1788."

Necker and Turgot, Too

M. Herriot, that past-master of historical analogies, must have kept his tongue in his cheek when he complimented M. Mendès-France as the Necker of our time. Did he imply that he would not be given his chance or that no Necker can arrest the course of events? In all these parallels it is not quite clear on what side the Radicals want to stand in a French crisis. As a commentator observed, they would like to have Necker and Turgot, too. They cannot make up their mind what attitude to take to the new fourth estate—the workers. The Communist slogan of "united front" must be a popular one, since the Socialists have countered it with one of "social and democratic front." Yet, nothing concrete is known about that front except that it would exclude Communist card-holders. It implies, however, a sort of alliance between the Socialists and the left-wings of the Radicals and the Christian Democrats (MRP). To accept the invitation, therefore, would involve a shift of confidence from the present ministers to M. Mendès-France. The Radical leaders do not think that the clamours have been loud enough to impose such a change of emphasis and prefer to hedge for the moment.

Even greater art was needed to reconcile the conflicting views on EDC. While MM. René Mayer and Maurice Faure pleaded that this is the only possible solution, M. Daladier argued that the "treaty was no more acceptable than a year ago," when the Bordeaux congress branded it as unconstitutional. Both he and M. Herriot advocated top level talks with the Russians on the lines prescribed by Sir Winston Churchill in his "Locarno" speech. Only if these fail should France fall back on EDC. In the final compromise the congress adopted an attitude slightly less hostile than last year. It deplores the fact that the problem has to be tackled prematurely and subordinates its approval of the treaty to the prior internationalisation of the Saar, to additional protocols, the limitation of police forces and the creation of a supranational European executive.

Patched-up compromises and semi-solutions are no panacea for a crisis. If France is really back in 1788 the Radicals provided no manifesto to unite forces either for the cure or for the rescue of the present regime. The recent strikes have not upset, at least as yet, the balance of the centre coalition nor of the "radical club." But in the Palais Bourbon, when Parliament passes its verdict on the handling of the crisis, the Radicals will have to be more specific than in the festive atmosphere of Aix.

Britain Alarms Dutch Traders

FROM A CORRESPONDENT IN HOLLAND

THE British request to be allowed to give new tariff protection to certain of its industrial and agricultural products has naturally been received in the Netherlands with disappointment and apprehension. At a time when the world is resounding with slogans of liberalisation and freer trade, it is rather sad to find that Britain is considering measures which must tend to cut down the exports of other countries. These measures are all the more disturbing because they will especially hit a few small countries, which have few other markets for their perishable agricultural products; countries, moreover, which are important customers for British goods and which themselves have the lowest tariffs in the world.

The British market is vital for the agricultural industry in which the Dutch specialise, and which they have built up over many decades through their diligence, experience and scientific research. They therefore find it difficult to understand how the British request will help to free world trade, facilitate the international division of labour, lower the costs of living or—last but not least—advance the interests of the British consumers. Although the Dutch prefer to defer judgment until the concrete British proposals have been fully aired, it is certain that the Netherlands—together with other European countries in the same boat—will be opposed in principle to them. It seems that British circles too realise that to raise British tariffs against non-Commonwealth countries while maintaining tariff exemptions for Commonwealth countries is in opposition to the Gatt pledge not to enlarge existing tariff preferences.

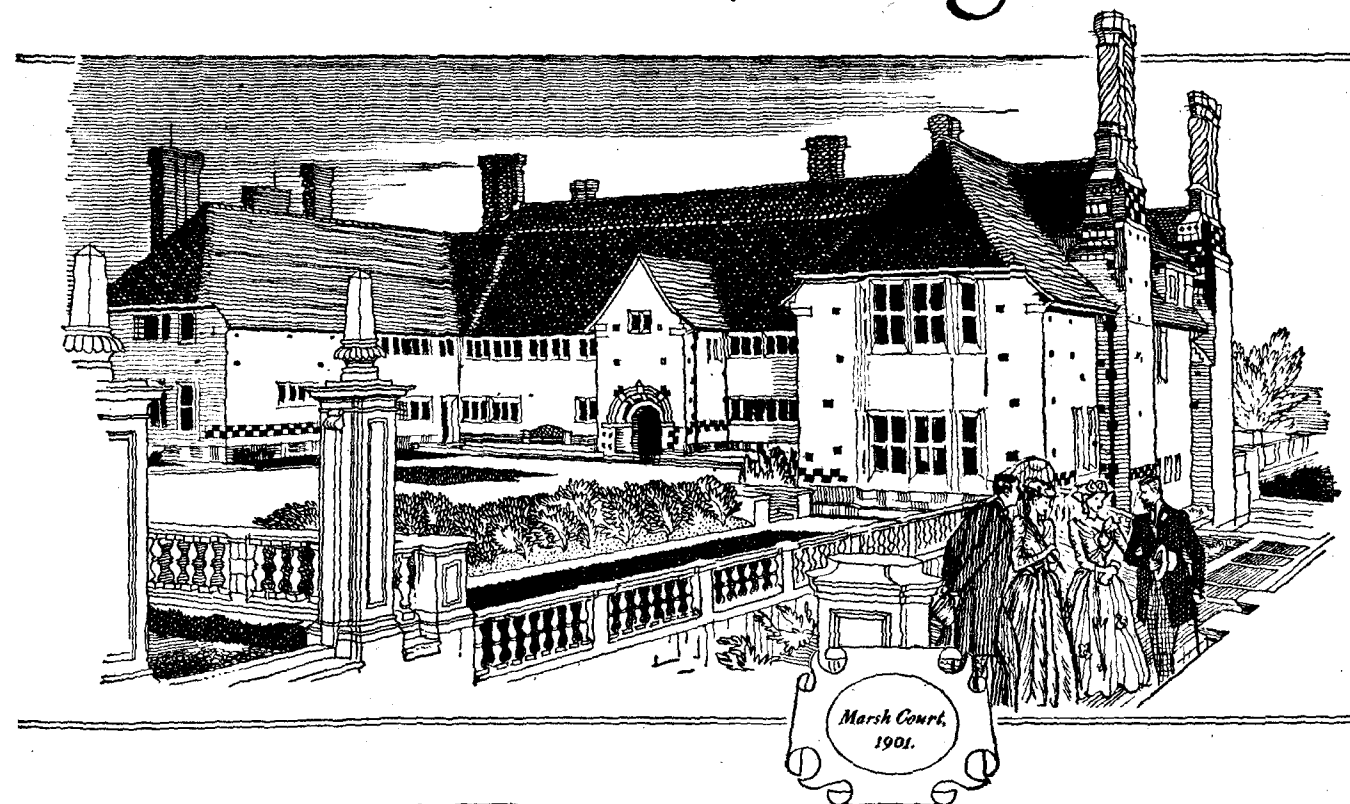
Gatt's Blind Eye

Whether the other signatories of Gatt will be accommodating enough to turn a blind eye to this evasion of Britain's undertakings is an open question. Nobody's interests, certainly not those of the small nations, will be served if strong tensions should arise over this issue among the signatories. It would be unfortunate if, as a result, Britain should only reluctantly continue its membership with a view to abandoning Gatt as soon as possible. (Already recent official declarations at Commonwealth meetings and in Washington have given rise to the suspicion that the Commonwealth will in any case pull out in the near future.) Moreover, it is felt that if other countries accept the present British request they will create a precedent of "benevolent interpretation" which will open the door to similar requests that Gatt should consider other special cases; in this way the trump card of "no new preference" will be sacrificed.

Last year when the Netherlands opposed the United States attempt to evade its Gatt commitments by increasing duties on dairy imports, it enjoyed the support not only of other European countries, but also of Canada and New Zealand as well. It is clear that the conscience of all signatories of Gatt, the countries of the Commonwealth included, will be severely tested by the British request.

In any case, if their request is to have any chance of

In Nine Reigns



In nine reigns the name of Cubitts has stood for progressive methods and solid achievement. Illustrated here are examples of contracts carried out in the reign of Edward VII.

NOW, AS IN THE PAST...
CUBITT'S
BUILD FOR THE FUTURE

HOLLAND & HANNEN AND CUBITT'S LIMITED

ONE QUEEN ANNE'S GATE • WESTMINSTER • SW1 • ENGLAND • SCOTLAND • OVERSEAS.

THE UNITED
STEEL
COMPANIES LTD



What does United Steel make?

The range of steel products of the United Steel company is easily the most comprehensive in the country. Engineering, mining, constructional work, shipbuilding, electrical and other primary industries, railway, motor vehicle, aircraft, hardware and domestic, textile and other trades depend upon steel in all its forms. This widespread demand is touched at almost every point by the United Steel company's production. The practical and economic advantages of such a range of output are manifest. All needs of large and small individual consumers can be supplied through a single selling organisation, securing from one product goodwill and contacts for another.

Of prime importance is the ability to adjust production to variations in demand, giving widespread stability and security to the whole organisation.

**THE UNITED STEEL COMPANIES LIMITED
SHEFFIELD**

*The Largest Steel Producers in the
British Commonwealth*

APPLEBY-FRODINGHAM STEEL COMPANY SAMUEL FOX & CO. LTD.
STEEL PEECH & TOZER UNITED STRIP & BAR MILLS WORKINGTON
IRON & STEEL COMPANY UNITED COKE & CHEMICALS COMPANY
LIMITED UNITED STEEL STRUCTURAL CO. LTD. DISTINGTON
ENGINEERING CO. LTD. YORKSHIRE ENGINE CO. LTD.

P9

THE COST OF DRYING THINGS

Millions of tons of fuel are used in Britain every year in drying processes, many of which are inefficient and wasteful.

When coal was cheap no one worried unduly, but today the cost of fuel used in drying is a serious expense item which tends to get buried in general overhead without receiving the close control given to economy of raw materials. Furthermore, many drying processes are as ineffective as they are extravagant.

Eight years ago, we started a specialised service to the Metal Goods Industries by providing Gas Infra-Red Tunnels for drying paints and varnishes. Today our techniques have wide application as varied as those employed in fish curing and textiles.

We are ever looking for new drying problems to solve. Nearly every industry has one. Send yours to:

PARKINSON & COWAN INDUSTRIAL PRODUCTS

(A DIVISION OF PARKINSON & COWAN LTD)

DEPARTMENT (E)

Cottage Lane Works, City Road, London, E.C.1

Telephone: Clerkenwell 1655

When the meal's an occasion...



A fine liqueur brandy

consideration and success, the British will have to accept some conditions. Apart from the Commonwealth, the British tariffs will have to be non-discriminatory as regards other countries. There will have to be an undertaking that the existing proportion between total British imports from Commonwealth countries and total imports from non-Commonwealth countries of the goods concerned will not be changed to the disadvantage of the latter. Further, it is essential that the new tariffs shall not be prohibitive. Just as Britain will not resign itself to prohibitive American tariffs, so the Netherlands and Denmark must fight tariffs which would practically cut off the road to British markets. Finally, the countries concerned will certainly insist that an end should be put to the rather arbitrary methods by which imports have been kept within the limits desired by Britain. Imports under the new tariff will have to be absolutely free.

It is to be feared that even the enumeration of these conditions will incense many people in Britain and in the Commonwealth and will supply Mr Menzies with some new followers. But the world has become too small for any country (or group of countries) to go its own way without upsetting things elsewhere. It is essential that Britain shall consider what consequences its proposals will have for its trading partners in Europe; so far as can be judged, it is difficult to see what advantages they can derive from them.

Changes in Czechoslovakia

LAST week's cabinet changes in Prague follow—somewhat tardily, it is true—the pattern set by the Kremlin after Stalin's death. The ministries of state security and of the interior have been merged, and Vaclav Nosek (who, incidentally, held power during Beria's day) has been replaced at the latter by Rudolph Barak, a comparatively obscure party man who entered the cabinet as a vice-premier only last March. As a concession, probably, to popular prejudice against a party-dominated government, party and government posts have been carefully separated. In particular, Antonin Novotny, who was recently elected first secretary of the central committee of the Czechoslovak Communist party, has lost his vice-premiership; but this does not mean that his power is any the less.

Finally, as in Russia, there has been a reshuffling and reduction (but only from 33 to 28) of cabinet posts. The ministers who lost their jobs have not been purged; they have been thanked for their services and officially assured that they will get new posts in the government or the party. All the same, five of them have been in economic ministries (including Agriculture, Fuel, Energy and Railways), which have been making particularly heavy weather, and their dismissal, together with the streamlining of the administration, was no doubt designed to clear the decks for the revised economic policies announced shortly afterwards to the National Assembly by the prime minister.

Mr Siroky's speech cannot have come as a surprise to his audience. Both from their own experience and from the constant complaints and laments made in the press and by government spokesmen, they must have had a quite clear idea of Czechoslovakia's economic troubles; and they probably realised that in dealing with them the prime

minister would take his cue from what has already been undertaken by his colleagues elsewhere in the Soviet bloc. Mr Siroky made the now ritual admission that the targets for heavy industry had been placed too high, and those for light industry too low. He promised a slowing-down in the development of heavy industry, increased investment in agriculture and increased supplies of consumer goods. In the current year—the last of the five-year plan—capital investment is to be reduced by about 16 per cent, and next year it is to remain at about this revised level.

Pep Talks and Promises

In one important respect, however, Mr Siroky departed from the usual brief. The government has decided to pay more attention to the development of the basic industries, and, according to a government directive, during the remainder of this year material and financial resources are to be concentrated "in the most important projects, especially those affecting the raw material branches of the economy." The development of Czech industry is, in fact, hamstrung by inadequate supplies of coal, power, iron and steel. And the lack of these basic necessities has, in turn, been accentuated by the failure of the engineering industry to produce enough of the necessary equipment. *Rude Pravo* recently pointed out that

the Ministry of Heavy Engineering returned a gross production target for the quarter of 97 per cent. Yet that Ministry is fulfilling its plans for the production of certain important types of turbines, boilers, and rolling equipment to 25, 33 or 40 per cent only. These are pieces of equipment that are anxiously awaited by power stations, steel works and mines.

But it is the discontent of the workers, the lack of labour discipline and the high rate of absenteeism, that is the chief cause of the trouble. This has been a major worry to the regime for a long time, particularly in the coal-fields. Communist leaders have been making repeated efforts to bully and cajole the miners into fulfilling their targets, and to persuade party and trade union officials that it is their duty to enrol as a "volunteer brigade worker." Only the other week, President Zapotocky, accompanied by his wife and four cabinet ministers, toured the Ostrava coal basin and delivered a series of stirring pep talks, including one to Czech army labour units working in the mines at Karvina.

How to Serve Food

But pep talks unaccompanied by more food, more houses and more consumer goods, will not cut much ice. A series of measures designed to remedy these deficiencies has therefore been announced. Increased investment, more fertilisers and more machinery are to be pumped into agriculture. The private farmer, who, as Mr Siroky acknowledged, is still the dominating factor in Czech agriculture, is to get his share of whatever help is going in order that he may raise production and yields. But the premier made it quite clear that the policy of collectivisation has not in any way been abandoned. New collectives must only be formed by strictly voluntary means; but if old ones do badly—as many of them seem to be doing—the members must be told that the fault lies not in the collective as such but in their own inadequacies. And, unlike Mr Nagy in Hungary, he made no promise that peasants would be allowed to walk out of collectives.

The sweeping series of government directives on

improved housing and social welfare facilities, on bigger, better and cheaper food supplies, and on higher living standards in general, reveal by implication and sometimes by open admission the sad state of affairs which they are designed to remedy. Both the directives and Mr Siroky's speech also betray, sometimes in a rather ridiculous way, the almost desperate desire of the regime to make people more contented with their lot. "Life in Czechoslovak towns, villages and enterprises," pronounces one directive, "must be increasingly pleasant and happy." And while Mr Siroky insists that "food must be served in a cultured manner," another directive on improving social and cultural life insists, with a fine disregard of human limitations, that "the number of outstanding sportsmen must be increased."

The trouble with the Czech government's new plans is that they try to do too many things at once. Mr Siroky promises more food and consumer goods and better living conditions for workers and farmers. Next year, production in the engineering industry is to be designed to this end. Thus while engineering production as a whole is to be increased by 7.9 per cent over the 1953 level, consumer goods produced by the engineering industry are to be increased by 15 per cent; and in order to secure higher imports of consumer goods and of raw materials, exports of machinery and equipment are to be increased by 27.3 per cent. How then is the engineering industry to produce also the additional supplies of heavy machinery and equipment that Mr Siroky insists are essential to secure greater output from the mines, foundries and power stations? The dilemma is acute. Failure to fulfil Mr Siroky's promises to the workers must provoke still more discontent; but it is not easy to go slow with the development of the Czech basic industries because, unlike those in, say, Rumania and Bulgaria, they are vitally important to the development of the whole Communist bloc.

Burying Beria in Georgia

LAST week's wholesale purge of the party and government leadership in Soviet Georgia was a second blow against Beria's followers in his native land. In July, after his fall, some of his men were eliminated from office, in particular the minister of the interior, V. Dekanozov. That two months, however, were needed between the first blow and a general attack is a sign that Beria's victors are not having an easy time, that the ideas associated with Beria die hard and that his men offer resistance. Beria's policy of "liberalisation," of greater freedom for the national minorities must have found an echo throughout the non-Russian republics and the sweeping purge is likely to spread from Tiflis to Kiev, Minsk or Vilna. But it is with the Soviet Corsica, with Georgia—the home of Stalin as well as his own—that Beria was most closely linked, and the conflict is best seen through events in that republic.

Last week's purge was the fourth act or rather the second scene of the third act in a yet unfinished drama. It started in April of last year when the Georgian cabinet was dismissed and the first secretary of the party sacked. The purge was revealed a few months later at a regional party congress by the new first secretary, A. I. Mgeladze, who accused the disgraced leaders of "bourgeois nationalism" and anti-Russian manoeuvres. Mgeladze played an im-

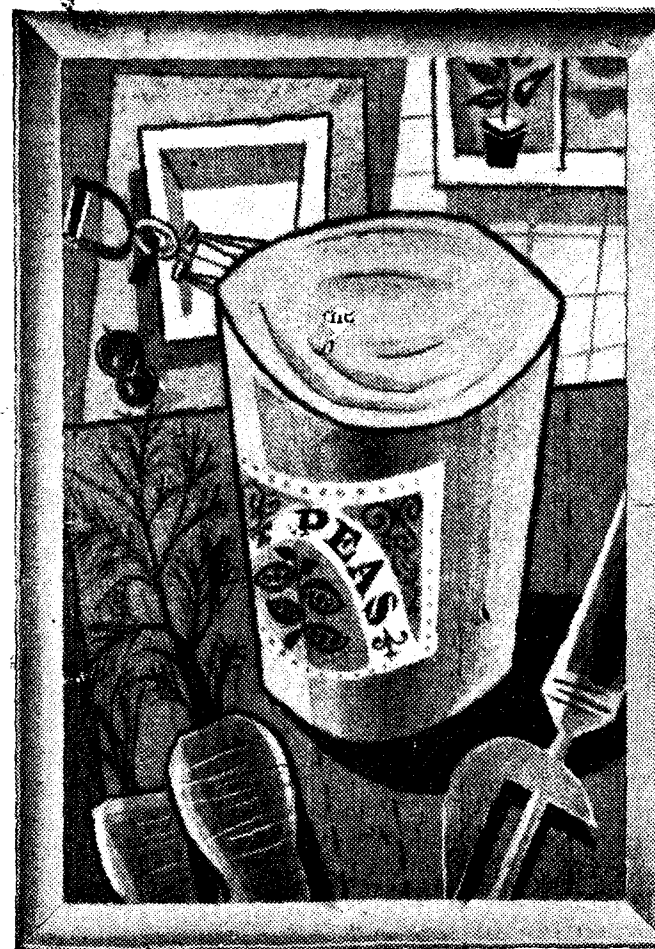
portant role at the All-Union Party Congress in October. His policy, therefore, must have had Stalin's tacit approval. Yet it was clearly opposed by Beria, and immediately after the Leader's death Beria struck back.

In April of this year Mgeladze was replaced as first secretary by A. T. Mirtshulava; V. M. Bakhradze, who had held office in Georgia before the war when Beria was supreme there, was appointed premier; and another companion of Beria, V. Dekanozov, became head of the ministry of security. The former minister, Rukhadze, was accused of criminally fabricating charges of "bourgeois nationalism." The former "culprits" were rehabilitated and their accusers attacked for following an "incorrect nationality policy." All this was in keeping with the first moves of the post-Stalinist regime, with the amnesty, the reversal of the doctors' plot, the promise of a new code and of a better treatment of minorities. A congress of the Georgian party was scheduled for the second half of May, probably to eliminate Beria's opponents from all positions of trust. Whether the anti-Beria forces were already gathering strength or for some other reason, the congress was never held and in June Beria was officially branded as a "traitor."

Three-Act Guignol

The third act was soon opened in Georgia. In July a meeting of the Central Committee was held. General Antonov, army head in the Caucasus, was prominent among the new accusers, and Major-General P. I. Yefimov was elected to the party's bureau, thus showing the part played by the army in Beria's fall. Dekanozov was sacked from his post and soon the same fate awaited all the republican ministers of internal affairs nominated during Beria's rule. But Beria's appointees were not limited to those offices. In Georgia, for example, they still held the supreme posts in both government and party. In vain did Mirtshulava and Bakhradze vituperate against Beria at the recent meeting of the Supreme Soviet. This has provided them with only two months' grace. As soon as they found it safe the opponents of Beria attacked the disgraced leader's strongholds. The Georgian Premier and first secretary are now being thrown overboard, together with the entire bureau of the party. The secretary of the All-Union Communist party, Shatalin, came from Moscow to supervise the purge.

The struggle, however, is not finished. The policy of "liberalisation" followed during the first hundred days after Stalin's death was not Beria's own doing. It must still have many adherents in the peripheral republics and within the Kremlin itself. His opponents cannot therefore strike without careful preparation. This may account for the conspicuous silence over the Beria affair since his initial denunciation, and opportunities for vituperations against the "traitor" have not been lacking. Thus, for example, Beria had been accused of trying to wreck the collective farm system, yet Nikita Khrushchev did not judge it opportune to mention him a single time in his report on shortcomings in Soviet agriculture. During the prewar purges, trials were prepared by intensive campaigns of vilification. In Beria's case a campaign reminiscent of the thirties was started and then stopped after a few days. His case was transferred to the Supreme Court and a new prosecutor has been appointed. Yet there are no other signs of an impending trial. Having won one round, the Stalinist diehards seem to have difficulties in bringing their opponent into the dock.



THE TIN *that never was*

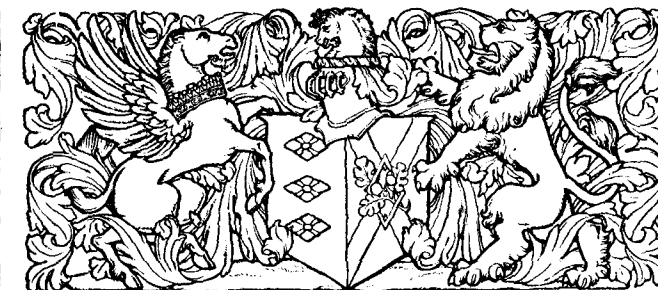
TINS AREN'T TIN at all, but steel. The tin is a paint-thin coating on a steel container. We call the metal tinplate (and the opener a tin opener!) but it is still steel.

Tinplate making is one of the oldest crafts in Britain: the origin of the name "Britain" means "land of tin". The industry has grown mainly in South Wales over several hundred years by traditional methods of hand-rolling. Over the past fifteen years modern continuous plant has been brought into service in this country to cope with the vastly increased demand. At Ebbw Vale in Monmouthshire and later at Trostre in Carmarthenshire immense continuous mills have been installed.

Tinplate is counted by a "basis box" of approximately 100 lbs. These new mills have made possible an output which in 1952 reached a total of twenty million boxes of tinplate, or about one million tons.

STEEL

is at your service



Quality Furniture has BRITISH LEATHER UPHOLSTERY

For long life and comfort there's nothing like leather



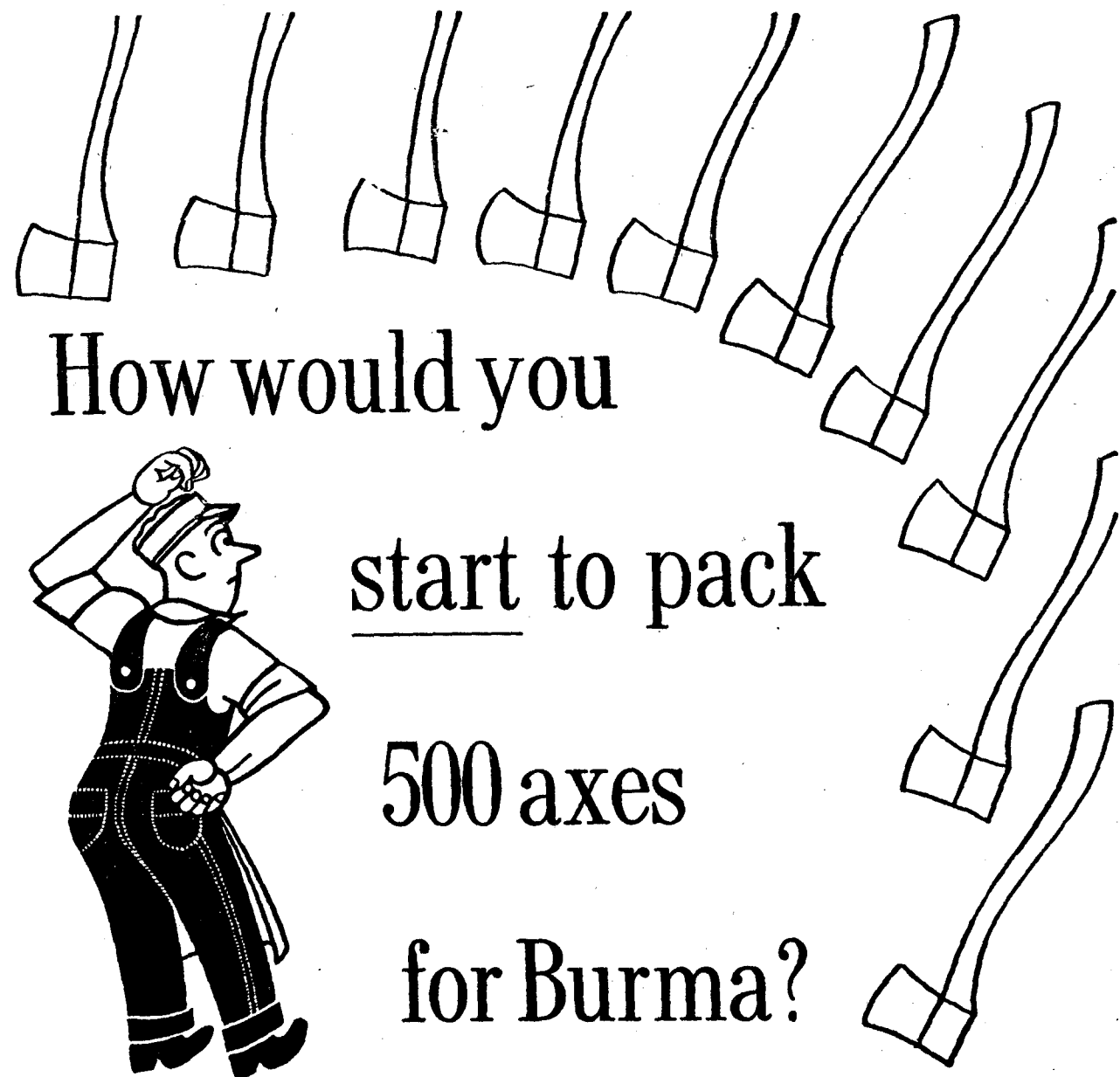
'GOLD'
FRUIT JUICE
COCKTAIL
—
TOMATO
JUICE
COCKTAIL
and
ORANGE
PINEAPPLE
GRAPEFRUIT
TOMATO
PURE FRUIT JUICES

NATURALLY
GOOD

That's why you see
so many empty
BRITVIC Bottles



Britvic CHELMSFORD • ESSEX



Not a job to be knocked off casually, with grease and hessian, timber and nails. That way is about as obsolete as a flint axe-head.

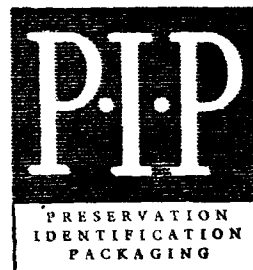
The modern method is exemplified by Remploy's P.I.P. organisation (Preservation, Identification, Packaging). First, the axe-heads are chemically cleansed. Then they are treated with a hard, chip-resisting preservative that forms an airtight covering. Next, the handles are protected with a wood preservative. The packing cases are specially designed so that the axe-heads interlock in safety, 'cradled' against shock, and

the projecting handles are bound together with cushioning material. Consignees appreciate these niceties!

There is an old and apt saying, 'Put the axe on the helve,' meaning *Solve a problem*. P.I.P. is ready to do just that for you, on anything that concerns packing, with any kind of goods.

Remploy's packing is on all M.O.S. Inspectorate approved lists. The P.I.P. organisation, largest of its kind in the U.K., has 13 factories throughout the country. These provide everything for a complete packaging service.

Remploy's



pack anything

THE BUSINESS WORLD

Two Views of Bank Rate

SECOND thoughts on last week's surprise reduction of Bank rate have been of two quite distinct and even contrasting kinds. On the one hand, to most of the great majority who hailed it with jubilation the second impression has merely confirmed and strengthened the first. In the stock markets, and probably in the business community generally, it is seen as a clear official demonstration of confidence that the dangers that necessitated the plunge into dearer money have been safely surmounted. To such observers the reduction appears as a major pointer to economic policy as a whole; but those who see it in this light do not all read it optimistically. There are some who believe that the Bank's gesture was related less to Britain's recent progress than to an apprehension that a low-pressure system may soon move eastwards across the North Atlantic. Though this interpretation is not common in the City, it is noteworthy that the initial reponse of stock markets was rather less violent in industrial equities than in gilt-edged. In any case, both the optimistic and the pessimistic wings of this school of thought are rapidly convincing themselves that the trend of interest rates will now be downwards, and a few of the more volatile prophets among them are already counting the weeks to a 3 per cent Bank rate.

On the other hand are the City institutions most intimately and directly affected by the Bank's action, the banks and the money market. These appreciated from the outset the official explanation that the change was designed to serve an important technical purpose, and was something less than a straightforward reduction of Bank rate on the traditional model. That would have been apparent to them in any case, merely from the fact that, whilst Bank rate (the "official minimum rate of discount") had been reduced, there had been no change in the Bank's rate for seven-day loans (which,

since 1951, had been at $\frac{1}{2}$ per cent below Bank rate if Treasury bills were offered as collateral). The banks and the money market had long been acutely aware that frictions were developing in the rate structure because of the wide margins that had been established between rates for Treasury bill finance and for other short-term credit, notably commercial credit obtained on bills of exchange. The "unification" of the two Bank of England rates was therefore immediately recognised as a move to permit the correction of distortions in the wider structure of short-term rates.

But the Bank of England had not been content merely to count upon such an interpretation by the experts; it had also taken special steps, in the form of an official announcement and also in explanations given informally, to emphasise the importance of the technical aspects of its "adjustments" for "unification" (the word "reduction" was not used officially at all). The technical considerations, as *The Economist* noted last week, were emphasised positively—in the explanations that the privileged rate for loans at the Bank against Treasury bills had been a temporary measure introduced in 1951 to "ease the transition to a more positive policy," and that the unification now would facilitate a more flexible use of Bank rate "in either direction" and ensure that it does not get out of touch with market rates. They were also emphasised negatively—by the assertion that the "adjustments" had not altered the "tighter" monetary policy of the past eighteen months, by a reminder that the so-called selective control of bank advances had not been changed, and by a strong hint that the Bank's action did not mean that a green light had been signalled on Britain's way ahead.

The very fact that explanations were given, and given partly by formal statement, plainly showed the authorities' anxiety to try to prevent the wider public from

jumping to precisely the conclusion that has in fact been drawn. No doubt they reckoned that an uninhibited response was inevitable in any case at the outset but hoped that the public reaction would be tempered by a cool assessment in the City of what they themselves were aiming at. These hopes, however, were never realised. The second day's rise in gilt-edged was as large as the first, and not until the middle of this week were there clear signs of a corrective movement. These rises, superimposed upon the strength of this market throughout the summer, restored the long-term section to levels that last obtained when Bank rate was still resting inert at 2 per cent. The gilt-edged market behaved, indeed, as if this "unification" were not only a normal reduction of Bank rate by $\frac{1}{2}$ per cent but also a clear precursor of further reduction.

★

In the circumstances, the original intentions of the authorities are not easy to gauge. However much they counted upon the success of their precautionary explanations, they obviously knew that their act would give an important psychological stimulus to business confidence—or at least to hopes of cheaper money. They also knew that the reduction in Bank rate, although it was not a normal one, would affect the whole structure of short-term rates, not only psychologically but also directly. Hence, however much weight was attached to the technical objective of removing anomalies from the general rate structure and thus of promoting flexibility in the money market, the consequences were bound to be more—perhaps much more—than merely technical. The technical aim could not be attained in the foreseeable future unless the authorities were sufficiently confident to give (or should one say, to risk giving?) this two-pronged stimulus. That fact being granted, the unabashed enthusiasts in the gilt-edged market may even conclude that their first easy assumptions were justified after all.

MONEY AND BILL RATES					
	July, 1951	Nov. 9, 1951	Mar. 14, 1952	Sept. 16, 1953	Sept. 23, 1953
<i>Bank of England:—</i>					
Bank rate.....	2	2½	4	4	3½
7-day loans against Treas. bills.....	...	2	3½	3½	—
<i>Discount rates:—</i>					
Bank bills, 3 months.....	1	1½	3	3	2½
" " 4 ".....	1½	1½	3½	3½	2½—2½
" " 6 ".....	1½	1½	3½	3½	2½—2½
Treasury bills, 3 ".....	1½—2½	2½—3	4—5	4—5	3½—4½
" " 4 ".....	2—2½	2½—3	4½—5	4½—5	3½—4½
" " 6 ".....	2½—3½	3—4	4½—5	4½—5	4—4½
<i>Treasury Bills:—</i>					
Average tender rate.....	10/2.56d.	17/2.96d.	46/3.64d.	47/11.85d.†	43/0.06d.†
<i>Clearing Banks' Call Money:—</i>					
Against Bank bills.....	½	1½	2½	2½	2
" Treasury bills.....	½	½	2	2	1½
" Bonds.....	½	1½	2½	2½	2½
<i>Clearing Banks' Deposit Rate.....</i>	½	½	2	2	1½

* Fluctuating rates after Sept. 17th, 1953. † At previous Friday.
‡ Last tender in month.

New Pattern of Rates

But that is not how the matter appears to the banks and money market. Second thoughts there make the technical aspects appear even more important than they looked at the outset. All the evidence that has accumulated so far suggests that monetary "flexibility" is now intended to become a reality instead of the pious hope that it has mainly been in these past two years. There are signs that, though most short-term rates have been lowered now, they are becoming a "taut" structure—in the sense that the whole pattern can be quickly raised or most of it lowered, in small or large gradations, by the traditional levers in the hands of the authorities. Some salutary surprises may be in store for those who still think in terms of the unnatural and rigid patterns of rates and the spoonfeeding of the money market that have been characteristic of monetary technique since 1932—not excepting the past two years.

The changes in rates in this first week have proceeded from the fact that since 1951 charges for bank advances had become again effectively linked to Bank rate, subject to over-riding minimum rates. These arrangements are defined in the individual contracts; for example, they may fix Bank rate as the charge at one extreme and 2 per cent over Bank rate at the other extreme, subject to differing minima. The effect of a change in Bank rate is therefore automatic; and on this occasion, broadly speaking, the minima have become effective only for those smaller industrial borrowers and strong personal borrowers whose loans were running at 1 per cent above Bank rate with a minimum of 5 per cent. Most of those who were previously paying more than 5 per cent and virtually all the very important customers who were paying less than 5 per cent have secured the full $\frac{1}{2}$ per cent reduction.

This being so, a reduction was also inevitable in the banks' interest allowances on deposit accounts—despite the fact that these rates have a natural relationship to those in the money market, and the further fact that one influential rate there, the Bank's "penal" charge for seven-day loans, had not been reduced at all. In the ordinary course, the two principal rates fixed by agreement among the clearing banks, their maximum deposit allowance and their minimum charge for call loans to the money market, would both have been reduced by the same amount as the reduction in Bank rate. This time, because of the special complication, and in acknowledgment of the objective of getting rid of the unnatural spread between Treasury bill rates (which are, of course, closely related to call money rates) and other rates, the banks compromised by cutting their deposit rates and money rates by only half

the amount of the Bank rate reduction. And they dropped altogether the agreement with the market for the fixing of discount rates for commercial bills.

The upshot of these changes is that the rate for Government finance on Treasury bills has fallen less sharply than those for other forms of short-term finance. At the Treasury bill tender on the day following the Bank rate change, the average allotment rate was roughly £2 3s. per cent, compared with £2 8s. per cent in the previous week—half the advantage that has been reaped by all strong commercial borrowers from the banks. The rate quoted in the market for three months' first-class commercial paper at the outset was $2\frac{5}{8}$ to $2\frac{3}{4}$ per cent in contrast with the pegged rate of 3 per cent that had been maintained since March, 1952; but on Wednesday, when the clearing banks reduced their rates for loans against commercial bills by a further $\frac{1}{4}$ per cent (and for loans against bonds by a further $\frac{1}{8}$ per cent), the discount rate eased to $2\frac{1}{4}$ per cent.

Towards Real Flexibility

The margin between Treasury and commercial bill rates has therefore almost disappeared; it is approaching the $\frac{1}{2}$ per cent that obtained during the thirties, and the war and early postwar years. In the circumstances, the distinction still made by the banks in their call money rates is surely no longer justified; the clearing banks' minimum rate is now $1\frac{3}{4}$ per cent for money against Treasury bills, whereas against commercial paper it is 2 per cent. At the Bank of England, the comparable distinction has been swept away by the "unification": the special rate applicable to Treasury bills has gone, and the seven-day loans at the Bank will be available against all forms of "approved" collateral.

The distortion in the pattern of call loan rates may, however, be merely one of the surviving anomalies that will gradually disappear. For there is no doubt that the new impetus towards a genuinely flexible market is stronger than can be gauged merely from the greater cohesion that the whole rate structure now exhibits. The authorities themselves are lending no support at all to the maintenance of arbitrary margins or rate agreements; and it is apparently intended that the Treasury bill rate, as well as the commercial rate, shall be really flexible. If that is so, then official influence in the market has to be exercised in the traditional manner, by open market operations in either direction for small adjustments and by the "flexible" Bank rate for larger ones; and this implies that the money market cannot expect the authorities to be as solicitous as they have been in the past in saving it from the need to borrow at the "penal" rate. If these are indeed the official techniques, the remaining distortions and rigidities will steadily diminish. Some of the clearing banks have already drawn the welcome conclusion that there

should be more room for manoeuvre in their money rates; accordingly, a smaller proportion of their call money will be more or less "fixed" at the minimum rates.

This new effort to restore true flexibility will involve many technical changes; but it is of much more than technical significance. It is a movement strictly in harmony with the wider trends towards economic freedom, and especially with the reopening of commodity markets and the easing of restrictions upon the granting of bank credits to foreigners. These trends make the London market and the course of sterling much more exposed to the impact of normal commercial and speculative decisions taken by business men throughout the world; and it is imperative that the monetary authorities in London should be re-equipped with the only technical apparatus that can be used to regulate these influences speedily and sensitively.

Before this can happen, however, commercial bankers as well as the authorities have much to re-learn. It is therefore especially important that nothing should be done to encourage the cynical view that the drive for flexibility need not be taken seriously—on the ground that for months past the word "flexibility" had become little more than a derisory catch-phrase. The authorities should bear in mind that nothing could be more

GILT-EDGED YIELDS

	Nov. 8, 1951	Mar. 13, 1952	June 24, 1952	Sept. 16, 1953	Sept. 18, 1953	Sept. 23, 1953
2½% N.W. Bonds, '52/54..	2 2 5	3 3 9	3 14 2	2 9 0	2 7 6	2 6 0
1½% Ser. Fund., Nov., '54.	1 15 10	2 18 7	3 6 1	2 7 6	2 4 3	2 3 10
3% Ser. Fund., Nov., '55..	...	...	...	2 10 10	2 6 11	2 6 11
2½% N.W. Bonds, '54/56..	2 0 0	3 3 5	3 12 8	2 10 2	2 7 8	2 7 3
2½% Exch., Feb., '55.....	1 17 0	3 4 0	3 12 1	2 7 7	2 3 6	2 3 6
3% Sav. Bonds, '55/65....	3 8 2	4 0 5	4 8 3	3 7 10	3 6 6	3 6 11
2½% Funding, '56/61.....	2 19 6	3 16 5	4 2 0	2 17 7	2 15 10	2 15 8
4% Funding, '60/90.....	3 10 9	4 14 2	4 18 6	3 19 10	3 18 6	3 19 10
3% Sav. Bonds, '65/75....	3 14 4	4 7 3	4 11 11	3 18 6	3 15 11	3 16 1
3% Funding, '66/68.....	3 11 4	4 5 8	4 10 10	3 12 0	3 11 8	3 11 6
3% Elect., '74/77.....	3 14 3	4 6 8	4 10 11	3 18 2	3 16 0	3 16 2
3½% Elect., '76/79.....	3 15 11	4 8 0	4 10 6	4 0 3	3 18 7	3 18 7
3% Transport, '78/88.....	3 18 2	4 8 6	4 11 2	3 19 7	3 16 8	3 17 3
3% Gas, '90/95.....	3 17 5	4 7 7	4 9 5	3 17 11	3 14 9	3 15 3
3½% War Loan, after '52..	4 2 0	4 11 8	4 16 2	4 4 11	4 1 9	4 2 6
2½% Consols.....	3 17 8	4 5 3	4 10 7	4 1 1	3 17 3	3 17 9
2½% Treasury.....	3 19 3	4 8 2	4 13 10	4 1 8	3 17 9	3 18 6

All redemption yields, with the exception of 4% Funding, are to latest dates.

derisory now than any seeming confirmation of the lurking suspicion that all this parade of virtue is directed simply to a smooth launching of the steel issues and a cheapening of the terms for the Treasury's own refinancing operations. In short, if they want to prove their faith in flexible money, they should carefully abstain from putting any pressure upon the banks to "support" the refinancing. And if the froth does not soon disappear automatically from the gilt-edged market, they should themselves take care to blow it away before the new issues are announced. This is one of the occasions in which a counsel of perfection would pay dividends—and steadily increasing ones—for the authorities themselves.

Facts for New Forecasts

AN input-output analysis of the British economic structure showing in detail how each industry depends for its supplies and its markets on all the rest will be ready by 1956. The nature of this realistic map of the economic system was described in last week's article. It consists essentially of a set of tables that will show, horizontally, the output of some 450 industrial groups and vertically the inputs that each industry requires from all the others in order to produce its own output. From this table it will thus be possible to trace in considerable detail the effect of changes in demand throughout the economy.

It will, indeed, be a formidable tabular statement. A 50-industry matrix in readable type would occupy nearly two pages of *The Economist*, and a similar space would be taken up by a corresponding table of coefficients—from which it is possible to deduce the input of materials, components and other services required for any given output of a particular product. The 450-industry tables will obviously take on the dimensions of wall maps; they may indeed have to be consulted sectionally like ordnance survey maps. Yet, even so, to limit the analysis of the economic processes of Britain or America to 450 production flows still involves a considerable simplification. How far will the simplifications of the table limit its effectiveness as an instrument of forecasting, and to what legitimate uses can it be put?

The 450-industry tables are based on various data; the columns dealing with manufacture are derived from the 1948 census of production, and are about as detailed as existing census methods permit. For agriculture, information has been specially prepared by a number of Government departments and for transport the nationalised and other industries have supplied data. The Census of Distribution has enabled final demand and distribution to be calculated in greater detail, while information from the various "controls" in recent years has been particularly useful. The detail is sufficient to make it necessary to conceal by various expedients figures that would otherwise reveal confidential census information about the turnover of some individual firms. There are many difficulties, especially in dealing with such aggregates of products and processes lumped together in the census as "engineering"; one such problem is the allocation of costs of joint products, and another is the grouping of like manufacturing processes so that it is possible to generalise about their behaviour—to give an extreme example, is the production of wooden clogs to be included under Boots and Shoes or under Furniture and Upholstery? The problems arising from increases or reductions in stocks cannot be described in a general article; each one has needed careful investigation. Despite a lively con-

troversy on methods, a considerable degree of refinement of the crude figures has been achieved.

It does not follow that, because the input-output table is based on 1948 data, it will be out of date eight or ten years later, because of changes in demand, in price relationships (following devaluation, for example) or in technology. The substitution of one product for another is continually occurring, but over the whole field of industry technological change is slower than is commonly supposed; in America calculations based on 1947 figures have been found to apply closely to conditions in 1952. Allowances have to be made for broad price changes by means of appropriate indices. But individual price changes of importance, whether caused by technical or economic changes, may also bring into play the use of substitute materials, components, or labour. The art of using the input-output table will lie in a realistic understanding of the possibilities of substitution, and studies into this important subject have been started.

What kind of forecasts can be made from these tables? As an example, it should be possible to estimate the aggregate bill of goods that would be required to sustain a ten per cent increase in the housing programme—not merely the labour and materials required to build another 35,000 houses a year, but also the additional steel, wood, coke, linseed oil, clay, machinery and labour. Similarly the chain-reaction to a reduction in the demand for houses, involving a drop in house-building by ten or twenty per cent per year, could be traced throughout the economic system. Beyond that, the tables will show the resources that would be taken up by different programmes of public works, or any other stimulus to demand.

But they are most certainly not ready reckoners for full employment, nor do they inaugurate an era of "push button economics." Any government committed to maintaining full employment would have a much clearer idea, with the help of input and output tables, of the detailed consequences throughout the economy of given changes in demand. Such forecasts can never be perfect, so long as demand is made up of individual decisions, and so long as the consumer can substitute one factor or product for another. But they should yield, for example, information highly pertinent to a Chancellor's decision to reflate against an expected slackening of production, such as Mr Butler made last April.

Again, the interest originally taken by the American authorities in Leontief's work* was occasioned by the

* Rather oddly, it was the Deputy Secretary of Defence, Mr Roger Keyes, who recently ordered the suspension of work on American input-output data; the colleagues he left behind at General Motors who used to share his mistrust of input-output had tried to persuade him to keep it going.

wish to know the impact throughout the economy of an expansion of government spending on arms—the extent to which other types of production would have to contract, and the "bottlenecks" that might arise. War-time experience (when demand is concentrated in Government hands) immediately suggests the value of even a rough guide to such future events; it would assist the authorities to control scarce materials, to encourage their production or substitutes for them well in advance, and to arrange for more imports.

The general structure of the British table will naturally differ considerably from the American, in that overseas trade is more significant to the British economy. But the first table will make it possible to calculate with some accuracy the import content of a wide range of British exports. It will thus be possible to define what are "high-priority" imports, and at what level a decline in exports might imperil the whole import basis of the economy. It should be possible also to work out forms of pump-priming that would draw to a minimum extent upon imported materials.

It would be idle to deny that input-output data could be exploited as a formidable instrument of planning. It should, however, encourage very much better planning than has been the rule in the past, and above all make possible the achievement of particular national objectives with the minimum of physical and administrative control. It would define the technical limits within which economic policies must be formed, and would admit the use of the discriminating force of financial policy in preference to the cruder forms of physical control.

The value to individual industries of these studies

may seem more limited, but any industrialist would be happier if he knew not only his immediate customers, but also the extent to which their demand for his products might be affected by economic change. Input-output analysis is not market research, nor will it replace the entrepreneur's role of profitably anticipating changes in taste and technology. But it will provide many useful indicators of the consequences of broad economic change, both for the larger firms and for smaller firms through their trade associations. It should help nationalised industries so to arrange their investment programmes as not to be mutually incompatible and to appreciate their relations with "the private sector."

Indeed, the value of input-output analysis will rest on its contribution towards economic policy under conditions of dynamic change. If it enables politicians to see in real terms the cost of welfare postponed in accelerating development at home or overseas and raising productivity, or if it provides accurate forecasts of employment under different conditions of demand, it will become an important buttress to sound economic decision. In time, something approaching a dynamic model of the economic system should come into existence; many economic hypotheses will be tested against the facts for the first time, and their truth or falsehood settled. But anatomy is not healing, and radar is not navigation. Elaborate input-output tables will help to define much more closely the economic consequences of choice by individuals and governments within free and "mixed" economies. But they will not make them choose, or choose wisely.

Business Notes

Second Thoughts in the Markets

THE stock market has now had time to make up its mind about the implications of last week's reduction in Bank rate—but it is doubtful if it has yet in fact done so. All that seems to have happened so far is that an excessive impact effect has given way to a phase of mild correction, and then to one of perplexed rather than of masterful inaction. The first delighted reaction continued with full force through the Thursday afternoon of the Bank's announcement and the whole of Friday; by the close on Friday 3½ per cent War Loan stood at 86½ compared with 84½ two days earlier, while the *Financial Times* index of

industrial ordinary shares had risen concurrently from 123.2 to 125.8. On Monday a shoal of small investors was still flocking into the market, and the number of bargains marked was the highest for eighteen months; by this time, however, some sceptics—broadly, those who had taken due note of the technical factors that have made this year's reduction in Bank rate much less of a green light than previous reductions—were understandably inclined to profit-taking; from Monday onwards, therefore, long-dated gilt-edged began to slip back, and they were followed by industrials on Tuesday. The Government departments, who have been peddling out stock from their large holdings of the two recent public utility issues (Electricity 4½ per cent and Gas 4 per cent), successively raised their tap prices during the week; but these prices had been unduly low even

before the Bank rate reduction, and the authorities' action merely tidied up the pattern of yields—it certainly should not be read as an authoritative encouragement to bullishness.

By Wednesday evening, therefore, the position among typical gilt-edged stocks was that War Loan had gained $2\frac{1}{2}$ points in the week to 86 (after touching 86 $\frac{1}{2}$), 3 per cent Savings Bonds, 1960-70, had gained $1\frac{1}{2}$ points to 90 $\frac{1}{2}$ (after touching 91), and 3 per cent Serial Funding, 1955, had gained $\frac{1}{2}$ of a point to 101 $\frac{1}{2}$ (but had stood still

extremely difficult to justify. With an unbalanced budget still generating inflation on a massive scale, a gaping deficit in the balance of payments and a gold and dollar reserve which is exiguous, the reduction of the Bank of France rate must, obviously, be interpreted in political and not economic terms. It must have been taken by the Minister of Finance and not by the Governor of the Bank of France. The sole justification advanced for it, namely, that it will help to reduce costs of production and therefore prices in France, comes straight out of the economics of Bedlam.

On Tuesday of this week the Danish National Bank lowered its discount rate from 5 to $4\frac{1}{2}$ per cent. This move can be regarded as a direct and logical consequence of the fall in the Bank of England rate. There is a strong and long tradition for credit conditions in what is now the Uniscan area to move closely together. It is noteworthy, too, that a sudden sagging of money rates in the New York market followed the London decision. At the beginning of the week it was announced that the latest issue of 91-day US Treasury Bills had been made at an average yield of 1.634 per cent compared with a figure of 1.957 per cent a week previously and a yield of slightly over 2 per cent maintained over the greater part of the summer months. Tenders for the latest bills were sent in after news had been received in New York of the fall in the London Bank rate and were undoubtedly influenced by this development. The expansion in member banks' reserves that followed the lowering of reserve requirement percentages in July had been largely eliminated by August as the result of further expansion in circulation, commercial loans and bank deposits and some loss of gold. Reports from New York reflect expectations of a further easing of reserve requirements which may later be supplemented by a reduction in re-discount rates, returning them to $1\frac{1}{2}$ per cent from which they were raised to 2 per cent last January.

New Labels for Transport

THE Transport Commission has twelve months—and longer if the Minister allows—to prepare a scheme for the reorganisation of the railways. What is done now in the recasting of railway management can, therefore, be only *ad interim* and without prejudice to the statutory scheme. The arrangements announced this week by the Commission are wholly of this character. The vacuum created by the disappearance of the Railway Executive is filled—as it had to be—by the Commission moving over to Marylebone and taking over the existing headquarters staff. One tier of management is cut out, and five years' experience of double-deck management had long shown the need for such a step. The question now is whether the concentration of power in the Commission for major railway policy, including finance, and general direction will still lead to the excessive centralisation of decision that so seriously impeded progress and initiative during the old regime.

There is room for hope in the wider powers that are to be given to the chief regional managers. They will no longer be officers of the Railway Executive with their powers undermined by an absurd functional system of control which put their subordinates under the control

of the technical members of the Railway Executive; instead they will take charge of commercial, operating and technical services in their regions, and will be answerable directly to the Commission. "For the time being" the six regions will remain as they are; obviously their future character will be a major consideration in the permanent scheme. As for the other components in the grand conception of unified transport as enacted in 1947, the "Executives" for British Road Services, Docks and Canals and for Hotels are replaced by boards or committees of management—self-evident changes of title that leave wholly aside such major questions as the successful disposal of road haulage fleets and the advantages of keeping or disposing of ancillary activities.

Thus the interim arrangements, as far as they go, hold out the prospect that the statutory scheme will admit the widest practicable degree of decentralisation. There will be work enough for the Commission in the tasks that must be done centrally—in financial responsibility, wages and staff policy, technical standards, and the broad co-ordination of the railway systems. The rest calls for decision on the spot, exercised by regional managers with effective power.

Opening Sallies at Gatt

THE eighth session of the contracting parties to the General Agreement on Tariffs and Trade has got under way at Geneva, in an atmosphere that is dominated by the uncertainty about America's future trading policy. In his speech on the opening day, Mr Waugh, America's Assistant Secretary of State for Economic Affairs, had necessarily to follow his Administration's present line of being exceedingly cautious in every forecast—and then of falling back on the usual generalities about the need for sound money. Mr Waugh did, however, agree that all-round re-assessment of everybody's economic policy would be needed before an effectively multilateral trading system could come within grasp, and he believed that a basic review of the constitution of Gatt would have to be undertaken as one feature of that reassessment. He then added "while it may be unwise to establish too rigid a timetable for international discussions on this subject, it is the present thinking of my government that the coming year may prove to be an appropriate time."

The British President of the Board of Trade, Mr Thorneycroft, replied flatly that any attempt to cure the present "chronic unbalance of world trade" was doomed to failure unless America fundamentally changed its commercial policy. The specific features of American policy of which he complained included "tariff rates of 50 per cent, 60 per cent or even more," difficulties of customs valuation, the Buy American Act, America's discriminatory shipping policy, and its "reciprocity provisions which inhibit the unilateral lowering of trade barriers, which is axiomatic to a solution of unbalanced trade." Until uncertainties on such points had been removed, Mr Thorneycroft believed, "we should not try to plan for a world the exact nature of which we do not yet know." For this reason he felt that decisions of major policy should be postponed, and he considered that it was in nobody's interest to press the "difficult issue" of Japan's application for membership of

Gatt at this time. If the issue is pressed—and America has thrown full support behind Japan—Britain will abstain from voting; it will also, apparently, take advantage of the Gatt rule that allows it to refuse most-favoured-nation treatment to new members and will not itself enter into tariff negotiations with Japan.

Request for the Waiver

IN his speech, Mr Thorneycroft also referred to Britain's request for a waiver of the Gatt rule that prevents it from raising duties on items of agricultural produce from foreign countries so long as it still allows that produce duty-free entry from Commonwealth sources. The British Government is emphasising that this is a technical problem; but that, if the waiver is refused, it will either have to ask Parliament for legislation to increase import duties from the Commonwealth (and thus reinforce the ranks of the "get-out-of-Gatt" school in Britain) or else continue the use of quotas to protect British agriculture. The question has now been referred to a working party of ten members on which three countries that would be likely to be among the main sufferers from any imposition of agricultural protective tariffs by Britain (Denmark, France and Italy) are represented. So far the main battle in this working party seems to have centred on the unwillingness of the British representatives to specify the articles on which tariffs would be raised. Britain has replied that the items in question are those in which there are next to no Commonwealth imports and where, therefore, the grant of the waiver from the strict rules of Gatt would cause no substantial diversion of international trade.

One cheering development at the Gatt meeting is that there should now be no difficulty in extending beyond the end of this year the "bound tariff schedules" already in existence. The United States representatives are, in fact, proposing that the extension should be for eighteen months, not for twelve months, as had been generally anticipated. This proposal may have some significance, for it would carry the termination of the Gatt schedules to June 30, 1955. This suggests that the United States Administration has now accepted the fact that it will not be able to secure a fundamental revision of its Reciprocal Trade Agreements Act by June 30, 1954, when the present extension of the Act expires. The Randall Commission will not have reported before March, 1954, and it will clearly be impossible to induce Congress to incorporate its recommendations in the form of permanent legislation within three months. In these circumstances it seems likely that the Administration may seek to extend the Reciprocal Trade Agreements Act for twelve months until June, 1955; and that any battle it feels able to wage with Congress to secure more liberal trading legislation will be fought out with that date in mind.

Quite apart from criticism of its general trading policy, America has found itself "in the dock" on many specific counts at this eighth session of the contracting parties. It is being attacked for the restrictions that it has recently imposed on imports of dairy products, fats and oils under section 22 of the Agricultural Adjustment Act. It is also under fire from Greece, Italy and Turkey following the increase in its import duty on dried figs; in fact, the

MARKET PRICES AND BANK RATE

	Nov. 8, 1951	Mar. 13, 1952	June 24, 1952	Sept. 16, 1953	Sept. 18, 1953	Sept. 23, 1953
	Reaction to 2½%	Reaction to 4%	1952 Low	End of 3½%	Day after 3½%	Last Wednes- day
1½% Ser. Fund., Nov. '54.	100½	99½	99½	99½	99½	99½
3% Sav. Bonds, '55/56.	96½	89½	87½	96½	97½	96½
3½% War Loan, after '52.	85½	77½	73½	85½	86½	86½
2½% Consols.	64½	58½	55½	61½	64½	64½
Assoc. Elec., £1.	90/-	66/6*	69/6	78/9	78/9	78/9
Courtaulds, £1.	49/6	36/10½	31/3	44/3	45/3	45/3
Distillers, 4/-.	22/6	17/9	16/9	16/6	17/-	17/-
Dunlop, £1.	65/-	53/9	43/9	50/-	51/3	51/3
Guest, Keen, £1.	56/3	47/9	48/6	51/-	51/-	52/-
Hawker Siddeley, £1.	37/6	33/6	31/9	43/6	43/9	43/6
Imperial Chemical, £1.	51/7½	39/9	42/-	46/9	47/6	46/6
Imperial Tobacco, £1.	98/9	85/-	82/6	56/-†	57/6	57/-
Lanes, Cotton, £1.	43/1½	35/7½	34/4½	48/7½	49/10½	48/9
Leyland, £1.	110/-	85/-	80/-	86/3	86/3	86/3
Grüever, £1.	54/4½	46/3	41/10½	49/4½	49/10½	49/10½
Vickers, £1.	50/-	44/4½	40/6	49/6	49/9	49/9
Woolworth, 5/-.	46/-	40/-	39/-	57/9	58/9	58/9
Shell Reg., £1.	95/-	82/6	95/-	87/6	87/6	88/1½
Rhokana, £1.	24½	22½	21½	18	18½	18½
"Johnnies," £1.	74/6	68/6	57/6	52/3	52/3	51/-
Financial Times Ord Share Index.	131.8	108.9	103.1	123.2	125.8	125.2

* One for three rights issue January, 1952. † 60 per cent share bonus, August, 1952.

since Friday). Concurrently the *Financial Times* index of industrial ordinary shares had gained 2 points in the week to 125.2, after touching 126.0 on Monday. The big institutional investors, who have a habit of sitting back and waiting for the dust to settle during phases of excitement of this sort, still seem to be watching rather than acting. With the market's initial reaction plainly based on tradition rather than on analysis, in daily expectation of a cash-cum-conversion of short-term gilt-edged and the first of the steel flotations, and with Wall Street industrials now $2\frac{1}{2}$ per cent above last week's lows, the floor is still filled with light fantastic trippers—not with the heavy plodders.

Foreign Reactions to Bank Rate

THE drop in the Bank of England rate, however technical an adjustment it may appear to informed opinion in Britain, has inevitably caused considerable ripples in the pool of international credit. The Bank of France reduced its official rate of discount on the same date and by precisely the same amount, from 4 to $3\frac{1}{2}$ per cent. This, however, appears to have been a wholly coincidental and not consequential decision. Given France's financial and balance of payments predicament, it is a decision which is

Turkish Government has taken retaliatory measures that are being criticised in turn. Complaints have also been lodged about America's import restrictions on filberts and about the export subsidies it has granted on sultanas, oranges and almonds. One consequence of this hailstorm of complaints may be that in the working party that is discussing the British request for permission to increase agricultural tariffs, Britain may derive its main support from the Americans. Birds of a feather . . .

BOAC Scrapes By

FOR the second year in succession, British Overseas Airways Corporation has managed to make a profit and to square its accounts without going to the government for a subsidy. This estimable result for the financial year to March 31st nevertheless requires a proper interpretation. When BOAC talks of "profit" it means the balance on its operating account plus net miscellaneous revenue; when it talks of "surplus" (or "deficit") it means the balance after paying interest on its capital. These accounting conceptions are entirely proper—and they enable the figures to be compared more or less directly with those of other airlines—but it is important that they should be understood. BOAC made a small operating profit in 1952-53 of £10,161 on a total traffic revenue of £35,699,176; in the previous year its operating profit amounted to £1,403,061 on a total traffic revenue of £32,831,296. That is the crucial comparison in the latest report. "Profit" including net miscellaneous revenue amounts to £103,875 (against £1,233,722 for 1951-52) and the "deficit" after interest charges was £838,664, compared with a true "surplus" of £274,999 for 1951-52. This deficit was whittled down to the manageable sum of £292,718 by taking into account certain capital profits and other surplus amounts totalling £545,946; this more modest deficiency has been added to the accumulated shortfall, which now amounts to £1,778,171.

There is good justification for BOAC's abstention from claiming an Exchequer grant to make up last year's deficiency. It was unlucky to be hit by a number of events that would not normally be expected to recur. The oil refinery strikes in the United States and a temporary grounding of the corporation's Stratocruisers cost between them £750,000 in passenger revenue. Other unexpected factors that are more liable to recur, however, included disappointed hopes of increased mail traffic, resulting from restrictions on trade imposed by Australia and South Africa, and an unusually foggy winter that severely affected the services.

But there were also factors of an apparently more fundamental character at work last year which do not promise to make the Corporation's task in 1953-54 at all easy. Operating costs are rising; wages, fuel prices and materials and spares are all up. The effect of these cost increases on the "break even" point is most unwelcome. Last year's revenue showed a satisfying increase from £33.6 million to £36.2 million. But to earn this higher revenue, BOAC offered for sale much more capacity—215 million ton miles, compared with 195 million ton miles in 1951-52—and unfortunately for the financial out-turn the average

load per aircraft fell from 65.7 per cent to 64.5 per cent, whereas the "break-even" point at which BOAC would cover all its costs and interest on its capital has risen from 65 per cent to 66 per cent. These comparisons have an important bearing on the corporation's future finances. The rise in various costs has meant, according to the present report, that operating costs per ton mile have risen from 38.8 pence to 40.1 pence, despite the fact that more flying was done; and the average loading has fallen, despite the high load factors of over 80 per cent achieved on the Comet services to South Africa and Singapore. The seemingly slight movements in these percentages are in fact the source of BOAC's financial dilemma.

The Year of the Comet

ALTHOUGH BOAC last year had to struggle to make only a little money, it had the outstanding triumph of bringing into service the de Havilland Comet. It earned a profit on these new Comet services immediately—"an unusual result," the report declares, "even for a conventional aircraft in its first year of operation." The introduction of any new type of aircraft is generally a costly business, and with the Comet experience of totally new operating conditions had to be gained in proving flights before commercial services could begin. The fact that the Comet earned a profit because it so powerfully attracted traffic and could be worked at a high loading ratio is a tribute to the designers who delivered an aircraft that has proved remarkably trouble-free in service and to BOAC's engineers who have been responsible for its maintenance.

But there is something of a contrast between BOAC's success with its first Comet flights and its attitude towards development expenditure that is always involved before new aircraft go into regular service. Crews have to be trained, radio aids tried out, and development flying has to be carried out along projected routes to plan time-tables and ground services. Such costs are heavy; the cost of keeping an airliner in the air runs into four figures an hour, and several thousand hours of development flying may be required. BOAC, with the Comet II and the Britannia in prospect (the latter powered by Proteus engines of which experience has to be gained), cannot be blamed for its concern about the costs that should fall on its accounts when a new aircraft is prepared for service. Such costs are especially heavy when an airliner is going into service for the first time, as the Comet was with BOAC and the Viscount with British European Airways; but it is also relevant that the first airline to get deliveries is also the first to be able to offer customers a new service—and this can carry a substantial commercial reward, as the Comet has shown.

BOAC declares that if the development costs of new aircraft that it has on order are commensurate with past expenditure, its financial results in the years immediately ahead will be even more seriously affected—a state of affairs, the report roundly states, that "cannot be contemplated." It is discussing "with the Ministries concerned" means of recouping these development flying costs. The Ministry of Supply usually pays for the cost of designing and developing new airliners to the stage at which they can be developed for operational service; should it also meet the cost of

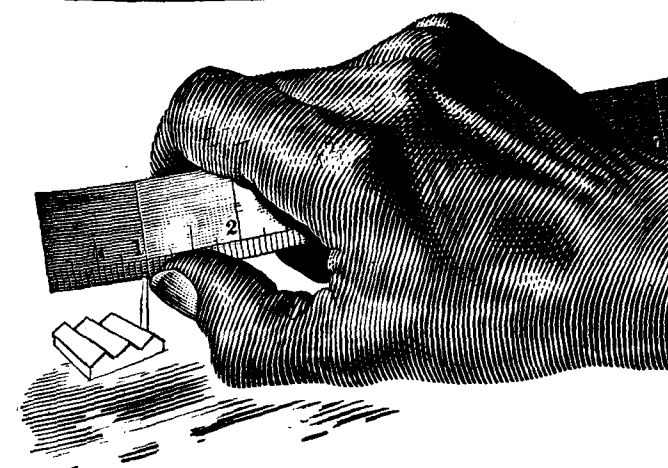
MARKET INFORMATION SERVICES LIMITED

MARKET RESEARCH & PLANNING

Market Information Services Limited undertakes market research by means of sample surveys of every sort on any required scale. Its field of operation covers habits and characteristics, and public opinion. It has a fully qualified technical staff, its own force of field investigators, and the punched-card tabulating equipment and calculating machinery necessary for this type of work. It specialises in devising and applying new techniques for the solution of difficult problems.

MARKET INFORMATION SERVICES LTD.

24, BROOK'S MEWS, LONDON, W.1. GROSVENOR 2211



Too small? . . Are you SURE?

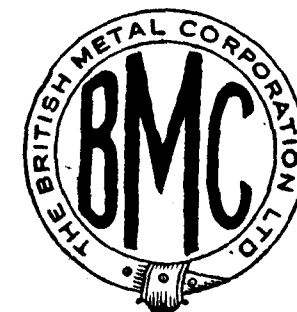
Size is illusory. But we don't want to get metaphysical—we just want to get your business. In Hollerith Punched Card Accounting, the yardstick is not physical size, but number of accounting transactions. Have you ever counted the number of transactions your counting house handles in a week—a year? We wager that before you'd recovered from the shock you'd have lifted the receiver and asked us to call—to see whether (and how) Hollerith could help you. This move would cost you nothing.

THE BRITISH TABULATING
MACHINE COMPANY LTD

Head Office:
17 Park Lane, London, W.1
Telephone: HYDe Park 8155
Offices in all principal cities in Great Britain and Oversea

HOLLERITH
Electrical PUNCHED CARD
ACCOUNTING

E/535/135



LONDON . MONTREAL . TORONTO . VANCOUVER
SYDNEY . PERTH . MELBOURNE
CALCUTTA . BOMBAY . KARACHI . LAHORE
JOHANNESBURG . SALISBURY . BULAWAYO

ASSOCIATES:

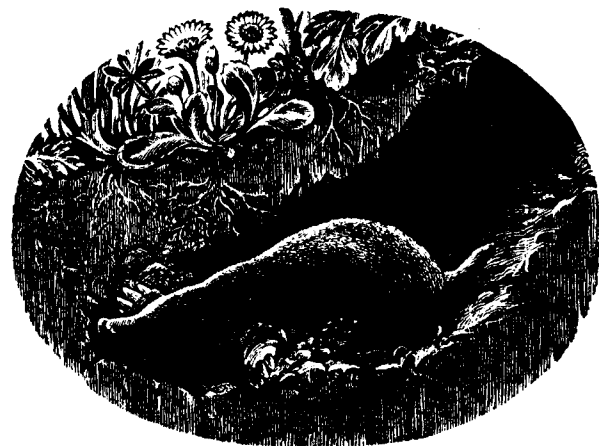
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials, it provides coal-washing plant,

ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: Brimetacor, London. CABLES: Brimetacor, London. TELEPHONE: MONarch 8055
Branches at BIRMINGHAM and SWANSEA



Underground Movement

EVERY SHIP that heads down the Tees to the sea sails over an underground tunnel carrying I.C.I.'s pipelines deep below the river bed. One of the boldest engineering projects ever undertaken by a chemical company, I.C.I.'s pipeline tunnel connecting the Wilton chemical plants with those of Billingham, nine miles away, cost more than a million pounds, and provides the vital link that makes the Billingham-Wilton system the largest concentration of chemical industry in the world. From Wilton, pipelines carrying the valuable 'olefine' gases butylene and propylene, petrol (which is a by-product) and 'tail gas' (a mixture of residual gases rich in hydrogen) run a mile and a half up-river to the tunnel header shaft, where they plunge down to the nine-foot diameter tunnel.

Having completed their dark journey, the pipes surface on the opposite bank, which stretches away across desolate salt-marsh country to Billingham. There, high-pressure plants convert the propylene to isopropyl alcohol—another important chemical raw material—and the hydrogen in the tail gas to ammonia, while the butylene is used to improve the by-product petrol—and to make the 'bottled' gas that provides heat and light for yachtsmen, caravanners and country dwellers. Soon, the tunnel will carry back another raw material—brine. From boreholes on the north side of the Tees, a pipeline will feed this raw material—essential for the manufacture of chlorine and caustic soda—to plants now being built at Wilton. Forty road tankers a day would have been needed to carry the petrol, butylene and propylene that now pass unseen from one great chemical works to the other, while, were it not for the pipeline, the tail gas would have had to be wasted. The Billingham-Wilton link is a good example of that special kind of industrial efficiency that can be achieved only on a large scale—and with large resources.

Imperial Chemical Industries Limited



grist to the million

Any day, anywhere, you see them, their baskets filled with the necessities (and luxuries) of life, quite unaware of how much they depend on board—the "cardboard" which makes shopping easy and practicable. Board for protective cartons, board for sturdy packing cases; board everywhere, much of it produced at Thames Board Mills. From these modern mills where fifty years' experience goes into every day's work, come the "THAMES BOARD" and "FIBERITE" packing cases used for the effective distribution of hundreds of products to millions of homes.

THAMES BOARD MILLS LTD PURFLEET, ESSEX

Manufacturers of
"THAMES BOARD" for cartons and other uses;
"FIBERITE" Packing Cases; "ESSEX" Wallboard
(Mills at Purfleet, Essex and Warrington, Lancs)

TB3-1524

putting them into service? If the British air corporations make a loss, the Exchequer provides a subsidy for them through the Ministry of Civil Aviation; if the loss arises from the particular costs of development flying should it be recouped by some special means other than the subsidy arrangements laid down by Parliament?

The Miners' Latest Claim

THE new full-time member appointed to the National Coal Board this week, Mr W. H. Sales, succeeds Mr Ebby Edwards and will presumably fill the same functional post in charge of labour relations. He will immediately be busy; the National Union of Mineworkers is shortly to present its claim for an increase in the wages of all day wage workers, laying as usual particular emphasis upon the plight of those workers who are on or about the minimum wage of £6 7s. 6d. a week. In the second quarter of this year the average earnings in mining amounted to about £10 18s. 9d. a week, though the spread between classes of workers was considerable, with miners at the face earning an average of £12 13s. 6d. a week and men on the surface earning an average of £8 13s. 4d. a week. The union has always contended that there are a considerable number of men earning little more than the national minimum wage and during the last few years these have been placed in the forefront of all wage claims. This is understandable; piecework rates are negotiated locally, and the money that day wage men can earn may well be brought into these myriad wage discussions at the lower levels. The Coal Board's attitude towards this new wage claim has not been indicated; but the cost of the miners' extra holiday this year, and of the unofficial third week's holiday that the miners are taking through absenteeism, is not likely to encourage concessions (leaving on one side the board's unhealthy finances). Since the war, however, it has never managed to withstand an increase in wages, and the clamour about a coal crisis this year will not make a stand easier.

The Cost of Coal Holidays

IN the second quarter of this year the total operating profits of the National Coal Board and its surplus after providing for tax and interest were both slightly higher than in the first quarter, and the comparison looks even more favourable with the second quarter of 1952, when the board's profits were insufficient to meet these charges. In fact, however, the second quarter's financial results were disappointing; they suggest that in the current quarter the board faces a considerable deficit and possibly even an operating loss on its collieries. This may already have been discounted in Hobart House as part of the cost of a second week's holiday in the coal mines (another part of the cost is he present danger to coal stocks for the winter). But it makes the industry's financial prospects for 1953 as a whole much less hopeful than appeared likely when coal prices were last raised this spring.

Total colliery costs in the second quarter were in fact about 2½ per cent lower than in the first; but since the output of saleable coal from the mines was down by nearly 6 per cent, mining costs per ton rose sharply—by some 2s a ton. The board had the benefit of increased prices over the whole of this period, and therefore still managed to make a profit of nearly 2s. 6d. a ton on mined coal. It produced about 3 million tons of opencast coal during the quarter, and may have sold rather more; at face value, therefore, its esti-

COLLIERY OPERATING ACCOUNTS, NATIONAL COAL BOARD

	2nd Qtr., 1952		1st Qtr., 1953		2nd Qtr., 1953	
OUTPUT OF COAL	Tons		Tons		Tons	
1. Tonnage disposable commercially	48,530,091		50,957,172		48,281,612	
2. Mine consumption	2,383,201		2,502,351		2,319,769	
3. Miners' coal	1,222,977		1,459,654		1,248,348	
4. Saleable tonnage from NCB mines	52,136,269		54,919,177		51,849,729	
	Amount	Per ton Saleable	Amount	Per ton Saleable	Amount	Per ton Saleable
COSTS OF PRODUCTION	£ mn.	s. d.	£ mn.	s. d.	£ mn.	s. d.
6. Wages (incl. holiday pay and allowances in kind)	92.3	35 4.7	99.4	36 2.6	96.5	37 2.5
7. Roof supports, general stores and repairs	25.9	9 11.4	26.4	9 7.4	26.0	10 0.3
8. Coal & power consumed	7.5	2 10.7	8.2	2 11.7	8.1	3 1.7
9. Other costs (incl. depreciation)	21.0	8 0.5	23.3	8 5.7	22.9	8 10.2
10. TOTAL COSTS	146.7	56 3.3	157.3	57 3.4	153.5	59 2.7
11. PROCEEDS	149.9	57 5.8	162.8	59 3.5	159.8	61 7.9
12. PROFIT (before charging interest)	3.1	1 2.5	5.5	2 0.1	6.3	2 5.2

mated total profit of £430,000 on opencast coal would mean a profit of nearly 3s. a ton, though the opencast accounts were presumably still blurred by the high cost of stocking coal at the sites. Since the end of June the Coal Board has managed to sell about a million tons from these opencast stocks in addition to its current output, so opencast profits in the current quarter may be higher. The outlook for profits from the board's ancillary activities is uncertain; these fell sharply in the first six months of this year. Coal-mining, however, is the preponderant item in the board's profit figures; and colliery costs seem unlikely to have fallen in the current quarter enough to offset the fall in proceeds that must result from the drop in output caused by the miners' extra holidays.

New Policies in Coal

ONE consequence of the duty to break even by which the National Coal Board considers itself bound is that about half its coal production, taking one year with another, tends to be mined at a profit and about half at a loss. Whatever the external effects of this price policy upon the national economy as a whole, one internal effect is to make the industry inherently difficult to run. Which should a manager regard as most important, getting his output up or getting his costs down, when the break-even point gives him no real yardstick for his own pit? This is a practical problem of higher management, which only the overriding

demand for every ton of coal that could be got anywhere has enabled the board to set on one side in recent years; and at its recent summer school at Oxford, Mr E. F. Schumacher, the board's economic adviser, offered some tentative suggestions as to the way to approach it.

Mr Schumacher suggested that in the 283 pits which in 1952 produced some 35 million tons at a loss of 10s. or more a ton, costs should certainly receive the most attention—"We are not looking to these pits, and to this sixth of national output, for the additional coal we need." That these pits should get costs down, even if that means some loss of output, is a fairly simple principle for a mine manager to accept. It may not be so easy for the individual manager to accept its necessary complement—that in the 340 pits producing about 51 per cent of the country's coal at profits ranging from a penny to more than a pound a ton, output should be raised even if profits fall. A manager producing the excellent results of, say, 15s. a ton profit on all the coal he raises may not take kindly to the suggestion that he should get all the coal he can at higher and higher costs, even if it brings his profit down to nothing or occasionally puts the pit into the red. The extra coal that he may be able to produce down to a loss of say 5s. a ton could replace coal that today has to be mined at a loss of 50s. a ton, saving the industry money. This would mean telling the top 340 pits to go primarily for output, and the bottom 283 to look mainly after costs. For the middle band of about 275 pits, producing a sizeable proportion of the country's coal at losses up to 10s. a ton, Mr Schumacher would hazard no such generalisation; for them the primary emphasis should be decided on the spot. He was understandably at some pains to emphasise, moreover, that he was not advocating the immediate closing of 283 pits and the shelving of financial considerations at 340 more fortunate ones. The formula, as he said, is a crude and theoretical first approximation, but it does represent an attempt to behave sensibly in an economic situation where some of the traditional rules have been excluded by definition, or at any rate by tacit acceptance. Whether it could achieve the degree of refinement and flexibility that this 900-piece industry requires would seem most doubtful; but it is one indication, among others, that the board is at least facing some implications of its accepted policy.

Signals in Export Prices

THE terms of trade moved one point in Britain's favour in August, to 90 (1952=100), after three months of stability that seemed to presage a halt to a prolonged period of improvement. The Board of Trade's indices, published this week, show that although the composite index of import prices remained at 87 for the third successive month, the composite export index rose by one point to 97. The export index for metals and engineering goods, which had been stable for the previous three months, rose by one point to 101. The index for textiles, which was unchanged in June and July, rose by one point to 93, while the index for "other manufactures" fell from 92 in the previous two months to 91. A decline of one point, largely seasonal, to 96 in the import index for food, drink and tobacco, and an equal fall to 85 in the index for imported

manufactured goods was offset by a rise of one point to 81 for imported raw materials.

The immense improvement in the terms of trade during the last eighteen months has increased Britain's real income by well over £300 million a year and has contributed greatly to its economic recovery. But a continuation of this improvement, especially from a further rise in export prices, might be a mixed blessing. Last month's increase in export prices need not be exaggerated; it was actually less than a full point. But it does indicate a change in direction. The price index for metals and engineering exports is now one point above the 1952 average, and it has never been less than 100 throughout the past twelve months. The index for textiles has dropped only four points in the same period and is now within two points of the August, 1952, level. There is nothing in the present or foreseeable state of world markets to suggest that British export prices could be raised with impunity. And any significant decline in the import price index would be matched by a further drop in the earnings of the sterling area's primary producers, which in turn would almost certainly react on the export trade. Perhaps the stage has now been reached when it will be better for everyone if Britain's terms of trade "improve" no further.

Volume of Exports Increases

THE full details of Britain's overseas trade in August throw little light on the trends in exports and imports; the month had two fewer working days than July and—as a note on the preliminary figures in *The Economist* of last week pointed out—the nominal working days were, for many, holidays. A better guide to the trade pattern is obtained by comparing the average of July and August with the monthly average in earlier periods. For the two months, exports averaged £216.3 million (f.o.b.), three per cent more than the monthly average of the second quarter and four per cent more than the average in the first quarter. The index of export prices rose by one point last month, but the Board of Trade attributes the increase in exports for July and August, taken as a whole, to a larger volume of trade. The greater part of this increase was in textiles (notably wool manufactures), which were 11 per cent higher than in the second quarter. Exports of "other manufactures" and of metals also increased, but shipments of cars and machinery fell by £2 million a month and of coal by a further £600,000 a month.

Imports in July and August averaged £269.1 million (c.i.f.), five per cent less than the average in the first half of the year and about three per cent lower in volume. This decline was largely seasonal and mainly affected arrivals of raw wool and other raw materials from the sterling area, which were about 12 per cent below the average of the previous six months. Imports of grain and flour averaged £6 million a month more, and were probably chiefly responsible for the small net increase in imports from the non-sterling world compared with the first half of the year. The improvement in exports in July and August is estimated to have been almost wholly in sales to the sterling area, which were about six per cent higher than in the second quarter. Australia appears to have been the main factor in the

improvement, for shipments to that country increased by about 20 per cent compared with the average for the second quarter.

Decontrolling Sugar

THIS month the British sugar trade moves somewhat nearer to decontrol. The subsidy on sugar sold to the public has been removed; the Ministry of Food has announced that its remaining responsibilities for the export trade in refined sugar will be returned to private hands in January; and sugar will shortly be taken off the ration. Price controls are expected to be abolished at the same time, with the probable exception of refiners' prices. Since sugar refining is dominated by a single firm, the Ministry may wish to exercise some control over these prices as long as it is responsible for the supply of raw sugar for domestic consumption.

The most difficult part of decontrol still lies ahead. Britain supports the price not only of domestic sugar, but of the major portion of its supplies from the Commonwealth as well. The domestic sugar beet industry, which produces some 600,000 tons of raw sugar a year, enjoys with other farm produce a guaranteed market and a minimum price, under the Agriculture Act of 1947. The Commonwealth Sugar Agreement provides Commonwealth producers with an assured market in Britain, at a price negotiated annually, for 1,568,000 tons. Before the sugar trade can be freed and the market reopened, some means will have to be found whereby domestic and negotiated-price Commonwealth sugar would be fully taken up, despite competition from the cheaper sugars bought in the free market.

One possible method would be a system of "weighting" the prices of raw sugar for domestic consumption so that, while the existing price guarantees would be honoured, fixed-price and free-market sugar would nevertheless be equally attractive to the refiners. Under such a scheme, changes in the price of free-market sugar would entail a related adjustment of the equalised price. If the many technical problems could be overcome, it should then be feasible to restore an international futures market in London, provided that the Treasury was prepared to permit a reasonable amount of arbitrage. Such a scheme would also seem to avoid the need for a deficiency payments system for beet sugar, such as that being introduced to overcome a similar difficulty in home grains. But other methods will no doubt be canvassed by the various interests concerned, and it seems unlikely that decontrol can become a fact until well into 1954.

Expansion for Cocoa

THE problem of cocoa, unlike that of many commodities, is how to expand, not restrict, production. Demand for chocolate and other cocoa products recovered quickly after the war and is still increasing. Yet the production of cocoa, which fell by 30 per cent during the war, has failed

to respond, even though cocoa prices have soared to six times their prewar level. Only in 1950/51 did world production approach the record crop of 787,000 tons in 1938/39. The 1952/53 crop is put at about 745,000 tons and no substantial increase is expected in the near future. The world conference on cocoa, which met in London last week, considered that, given a reasonable price level, the world could very soon absorb one million tons of cocoa a year. Expansion of production would be in the real interest of the producing countries, raising their living standards further, particularly in British West Africa, which produces over half the world's supply.

But the hundreds of thousands of small peasant cultivators will not easily be persuaded. Over-production and low prices between the wars still leave them with the fear that a large increase in production would again drive down prices to a low level; and they are only too conscious of the fact that the shortage of supplies in recent years has brought them great prosperity. How can they be persuaded, as Mr Paul Cadbury put it at the conference, that cocoa is potentially an expanding market, but that it will not expand if prices rise beyond a certain point? If these mental attitudes can be changed, the prospects of increasing supplies should be bright. It is now possible to raise the yield per acre to over 1,100 lb. of good cocoa, compared with the present average of about 400 lb. There are also promising possibilities of introducing the cocoa bean to new tropical areas, such as Malaya, where it is considered that 100,000 tons a year could be produced. It is at least a hopeful sign that in the Gold Coast and Nigeria the farmers are now supporting the campaign against swollen shoot—which, with other diseases, cost the world some 200,000 tons of cocoa a year.

Revival in Tinplate?

EVER since the tinplate handmills in West Wales began to be closed down or put on a "care and maintenance" basis early this year there has been some controversy among the tinplate producers and their customers about the effect that closure might have upon tinplate supplies later this year and after. The producers in West Wales, particularly the larger companies that own modern strip mills as well as the obsolescent handmills, have maintained that they had built up the stocks they could carry at their own works to a physical and financial maximum, and that the closing down of capacity, with the inevitable dispersion of workers, had to follow. The decision to concentrate production upon their more modern units—which in any case produce tinplate of higher quality for which demand fell much less—was an obvious one for these large organisations; a number of the independent handmills were eventually forced to follow suit.

Some of the major consumers of tinplate in this country, however, arguing that the recession in demand was simply a ripple in a trend that must continue fairly steadily upward, argued that the Welsh tinplate industry should have made more effort to retain its capacity—of which in the handmills labour must be counted the most important part—in being. Otherwise, they forecast, the labour would not be there to be had when demand began to revive in a few months; the handmill workers are well aware that in any

case many handmills are due to be closed when the second tinplate mill of the Steel Company of Wales is brought into operation at Velindre in a few years' time, and have every incentive to find new jobs. The result, as these consumers see it, is that the Welsh industry may not be capable in the interim period before Velindre opens of producing all the tinplate that could be sold. Other countries are bringing new continuous mills into operation and offering tinplate for export; Britain, after the United States the largest exporter, may lose business that it could nurse along with the handmills until Velindre comes in. These consumers argue, too, not unnaturally, that the producers had creamed enough profit out of their large export premiums since the war to be able to afford a few months "temporary" under-employment.

Demand has now begun to revive—as both groups in the argument agreed it would this autumn—and the Steel Company of Wales has decided to reopen nine of its handmills at Pontardawe and Gorseinon. These reopenings may offer a first test of the argument about lost labour. The tinplate producing companies, though fairly optimistic, are not disposed to underrate the difficulty of getting back their full complement of men. Not many tinplate workers are still registered as unemployed. In spite of the high earnings to be obtained there, this reprieve, or stay of execution, for the handmills may not sound too attractive.

Footing the Bill at Woomera

THE Minister of Supply's recent visit to Australia evoked a display of irritability from certain sections of Australian opinion that marked the considerable dissatisfaction over the burden of commonwealth defence costs that has been falling on Australia. These are likely to remain high but Mr Sandys does appear to have removed a small but acute source of friction between the two governments. This is connected with the arrangement under which the costs of the Woomera rocket range were divided between them. About £25 million has been spent on setting up the range; and it was always intended that the two countries should share the cost. But the formula by which the costs of running the range were divided between the two governments appears to have been that the British government assumed financial responsibility for all work done in this country, while the Australian government paid for work done in Australia. This simple arrangement worked well enough while rocket development was in its early stages, when most of the work was done in Britain. Recently, however, activity at Woomera has risen sharply and the majority of the British companies engaged in rocket development have found it necessary to set up establishments at the range itself where the missiles and other equipment arriving for test are assembled. There are altogether more than a hundred British companies participating in these tests, doing an increasing amount of work at Woomera itself and calling increasingly on the Australian government for payment. In addition, the Australian government has been responsible for designing and building several pilotless jet-powered aircraft that have been used as trial targets for the missiles.

If Australia's share in the costs of the Woomera range

has been disproportionately high in the past, the new financial arrangements announced last week appear to recognise the fact. In future the Australian government will pay only for work done specifically at its request; the provision of target aircraft would seem to fall into this category. The British government will pay for all work done to its order—and that may involve most of the work at the range. This seems to be a new definition of "sharing" of costs, but the Woomera range has a particular value that may justify a high cost. Its vastness enables the scientists to recover and examine the remains of, missiles, which yield most valuable information. It may even be that they have established a technical lead over American research teams who use ranges firing out to sea and rarely see their rockets again.

Inco's Iron Ore

IRON is a major ingredient of the ores from which most of the world's nickel is produced, and the possibility of extracting it from the tailings in a usable form at an economic price has long interested nickel producers. It has been mentioned, for example, in connection with the Nicaro project financed by the American Government for obtaining nickel from laterite ores in Cuba, and a little Cuban laterite is already worked as iron ore, though the chrome associated with iron in these ores is hard to remove. But the largest development in the field so far is the new process announced last week by the International Nickel Company of Canada. Inco is erecting a \$16 million plant at Copper Cliff, Ontario, that will yield a million tons of iron ore a year as a by-product of nickel extraction from the company's Sudbury ore deposits. The Sudbury ores contain iron, copper, nickel and sulphur, and up to the present only the two non-ferrous metals have been extracted; the Copper Cliff plant will extract iron (thus making nickel extraction from lower-grade ores than are now used a commercial proposition) and the company thinks that it may eventually become feasible to take out sulphur too.

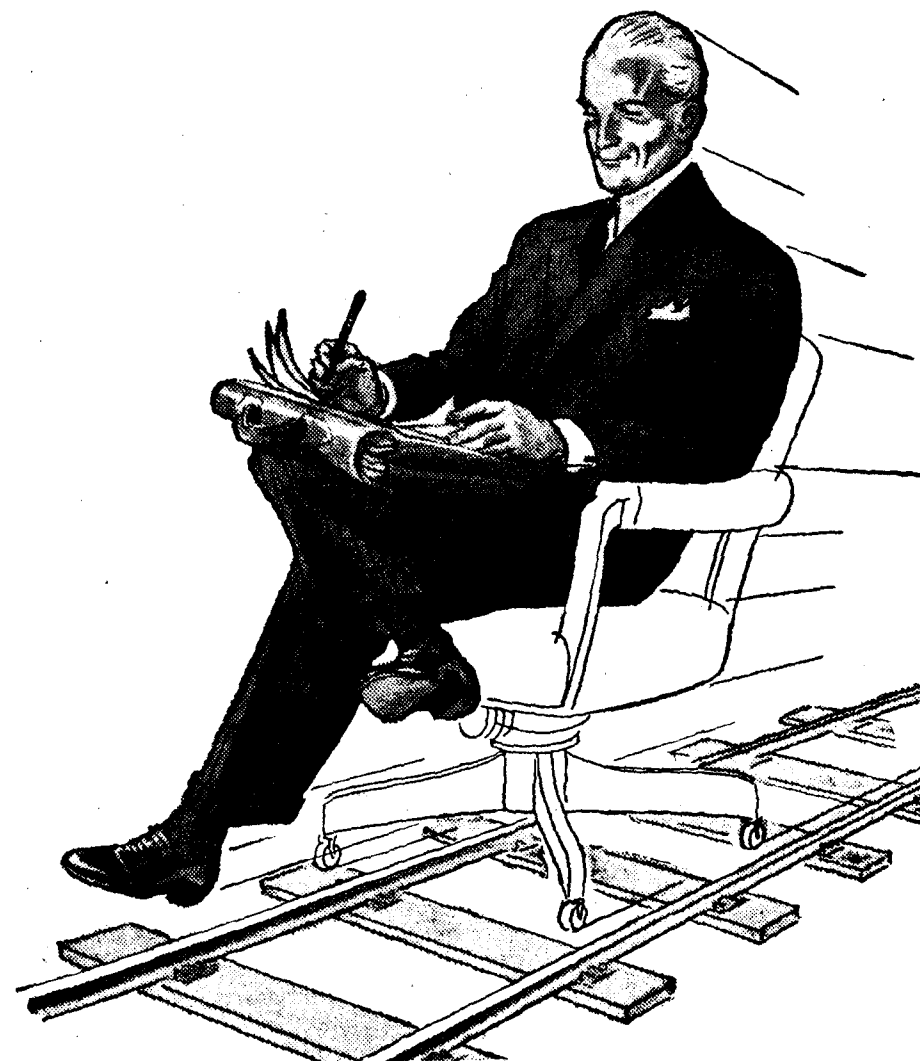
Markets Overseas

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:

THE ECONOMIST INTELLIGENCE UNIT
22 Ryder Street, St. James's, London, S.W.1



it's a deal quicker
by RAIL

*Time for your meeting -
back the same day.* Are you taking advantage of the dozens of British Railways speeded-up services for the business man? They cover most big industrial centres. You get there quicker, fresher and arrive before lunch. There's time to do your business and return in comfort after tea. Meals en route and reserved seats, of course. Ask your secretary to get you a leaflet giving full details, from any Railway Station or authorised travel agent. Why not ask her *today*?

2 HRS	LONDON BIRMINGHAM
2 HRS 20 MINS	LONDON BRISTOL
3 HRS 10 MINS	LONDON SHEFFIELD
3 HRS 35 MINS	LONDON LEEDS
3 HRS 43 MINS	LONDON MANCHESTER
3 HRS 45 MINS	LONDON LIVERPOOL
3 HRS 59 MINS	LONDON BRADFORD
4 HRS 10 MINS	LONDON DARLINGTON
4 HRS 56 MINS	LONDON NEWCASTLE

BRITISH RAILWAYS



**But has she
married into
your business?**

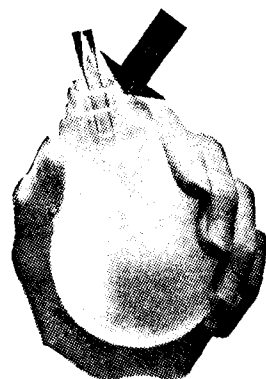
Back from their honeymoon they'll be doing a lot of buying. If they choose your products they may be your customers for life.

But how to reach them . . . how to tell them your products are the best?

Standing for all that is new and challenging in modern journalism, the Daily Mirror appeals particularly to young readers. In fact, the majority of the 4,500,000 or more people who buy it every day belong to the vital vigorous younger generation—the generation with most buying years ahead of it . . . most capable of being influenced by persuasive advertising.

With the biggest daily sale on earth, the Daily Mirror offers you the most powerful mass market coverage in the history of daily newspapers at the lowest square inch per thousand rate of all national dailies. And—Daily Mirror readers are young readers. Your customers today—next month—next year.

Daily Mirror
The world's
mass media



Nothing left to chance . . .

MOULDED SEAL. The production of a strong, permanent bond between the metal cap and the glass bulb of Royal "Ediswan" Lamps is achieved by the use of specially designed "keys" moulded in the glass. Ediswan Engineers are successfully applying this technique to a greater range of types than ever before.

* This is but one example of the intricate operations in the manufacture of Royal "Ediswan" Lamps, calling for the highest degree of technical skill and the utmost care and precision. Nothing is left to chance—only the finest materials are used and there is strict control at each stage of manufacture.

"EDISWAN" LAMPS

The Edison Swan Electric Co. Ltd., 155 Charing Cross Road, London, W.C.
Member of the A.E.I. Group of Companies

DISTRIBUTORS OF JAPANESE IRON,
STEEL AND NON-FERROUS METALS

KYODO SHOJI (U.K.) LTD.

BRITISH COMMONWEALTH AND EUROPEAN
REPRESENTATIVES OF THE

**KYODO KOEKI KABUSHIKI KAISHA
TOKYO, JAPAN**

18 BUCKINGHAM
GATE,
LONDON, S.W.1.



Tel.:
TATe Gallery 8482

Cables:
Japsteel, London

Suppliers of

BILLETS	BLOOMS	SHEET BARS	PIG IRON	WIRE RODS
SIEMENS MARTIN MILD STEEL PLATES			LLOYDS QUALITY SHIPPLATES	
SIEMENS MARTIN HRCA SHEETS			SIEMENS MARTIN HIGH CARBON RAILS	
SIEMENS MARTIN MERCHANT BARS			SIEMENS MARTIN MILD STEEL SECTIONS	
SIEMENS MARTIN CRCA SHEETS			HOT AND COLD ROLLED STRIP	

MANUFACTURED TO BRITISH STANDARD SPECIFICATIONS

The iron concentrates that will be obtained from this nickel process will be of an exceptionally high grade—much richer than the ores from the famous Mesabi range, for example. They will contain at least 65 per cent Fe content, with less than 2 per cent silica. International Nickel states that such ores will command a premium price for direct use in open hearth and electric furnace steel production in Canada and the United States—high-grade ore is always charged into open-hearth furnaces in small quantities, along with iron and scrap. Its statement last week hinted that the price "per ferrous unit" of this by-product ore may well be competitive with the high-grade ores that the United States steel industry is now having to import from Venezuela, Sweden, Liberia and Brazil. This may be true, though the trend of world ore prices seems to be downward; and it will be interesting to know how it will compare with the price of the rich Quebec-Labrador hematite ores now being proven and developed. But for a by-product, assisted by a spread of overheads, the new Inco process may offer considerable possibilities; it has been extensively investigated for several years and worked successfully at the pilot plant stage. This may be counted as one of the first rewards of the tremendous research efforts now being devoted to the development of new methods of extracting metals from increasingly lean ores.

Higher Prices for Wood Pulp

PRICES of Scandinavian wood pulp for shipment in the fourth quarter of this year are moderately higher for nearly all grades. Demand is strong and supplies, particularly of some grades of chemical pulp, are fairly tight. The price increases range from about £2 to £3 10s. a ton for chemical pulp. Mechanical pulp, from which newsprint is made, is about 10s. a dry ton higher, but this does not affect the price to British mills, the major buyers of this type of

Scandinavian pulp. Britain buys six months' ahead, and the price fixed for the last half of this year is the same as in the first half, namely £27 10s. a dry ton, c.i.f. East Coast port. The price of bleached sulphite pulp, which is used in the manufacture of fine grades of paper, is now very firm at about £53 a ton, c.i.f., showing an advance of between £3 and £3 10s. a ton. Kraft pulp, which is used for making bags and light board, is £3 higher at about £39 a ton, c.i.f.

This hardening of pulp prices follows the generally slight reductions made for shipments in the third quarter of this year. British users of pulp had therefore been tempted to look for a period of price stability, and though they have swallowed their disappointment and in most cases have accepted the new prices they would probably show strong resistance if the Scandinavian pulp producers seek to raise prices again in the first quarter of 1954. It may be significant that the price of bleached rayon pulp has been left unchanged at about £65 a ton for the standard grade; the price of £70 a ton for second quarter shipments met strong resistance from British rayon producers, who cancelled many of their orders.

SHORTER NOTE

Associated Portland Cement and British Portland Cement have increased their interim ordinary dividends to 1s. per £1 stock unit, compared with the equivalent of 9d. per £1 of the present stock units a year ago; the directors explain, however, that they have for some time realised that the interims have been low compared with the final dividends (which last year were equivalent to 2s. 3d. per £1 of the present stock units), and that this decision does not mean that total distributions for the year will necessarily be greater. Profits in the first half of 1953 are stated to have been satisfactory, although increased demand in Britain (resulting from flood damage and defence contracts) have caused more cement to be diverted from the very profitable export market to the less profitable domestic market.

Company Notes

CALICO PRINTERS' ASSOCIATION. Like most other textile companies Calico Printers enjoyed a steady increase in the volume of production and an improvement in earnings in the first six months of the present calendar year; but losses sustained by subsidiaries—especially Australian Cotton Textile Industries, Ltd.—prevented any increase in profits or dividends for the year to June 30th as a whole. The preliminary statement, which shows the net profit of the parent company at £216,255 compared with £220,319 for the previous year, needs, however, to be read with some care. This "net profit" is struck after deducting charges totalling £2,123,283 (against £1,616,030 in 1951-52); the charges deducted include £986,277 for mainten-

ance, depreciation, etc. (against £980,507 in the previous year) and sharply increased provisions for losses of subsidiary and associated companies (£290,006 against £110,523) and for taxation (£719,000 against £397,000). This tax provision,

	Years to June 30, 1952	1953
Parent company figures:—		
Maintenance, depreciation, repairs, etc.	980,507	986,277
Debt interest	128,000	128,000
Provision against trading losses of subsidiaries	110,523	290,006
Estimated taxation	397,000	719,000
Net profit, after deducting the above	220,319	216,255
Dividends	211,128	221,181
Ordinary dividends (per cent)	12½	12½
Reserves	250,000	650,000
Carry forward	121,710	113,784

however, takes no account of a credit of £647,000 that has arisen from the belated settlement of the company's liability for wartime Excess Profits Tax. As a result of this credit and of the year's net profit, there is £863,255 available for reserves and dividends, compared with last year's £466,319 (which itself included £246,000 in respect of an EPT credit). But shareholders are not receiving any of this year's windfall, as £450,000 is to be placed to general reserve and £200,000 to a reserve against overseas investments (which had received £100,000 last year). Similar complications affect the consolidated profit and loss account for the group. This shows an aggregate profit of £774,131 (against £296,737 last year); it is struck after including an EPT credit of £769,347 but after deducting £1,051,769 (against £1,065,888) for maintenance, depreciation, repairs, renewals and upkeep, and £710,628 (against £348,564) for taxation.

During the year the ordinary stock has come up from a "low" of 31s. 7½d. to the

present price of 46s. The dividend of 12½ per cent (which has been maintained for the fourth year in succession) offers a yield of only about 5½ per cent on this price. This does not look unduly generous, but the company's current level of domestic profits must be considerably higher than a year ago; it was probably only the bumper from Australia that bowled out shareholders' hopes of a higher dividend for the year just passed.

★

DAVY AND UNITED ENGINEERING.

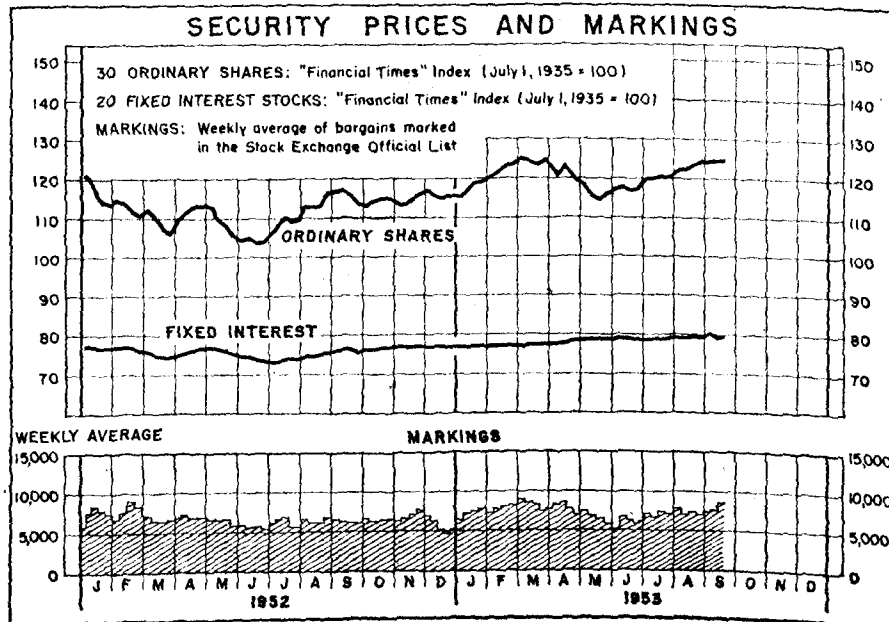
For the third year in succession, Davy and United Engineering have had to report a fall in trading profits, this time from £584,455 to £442,798. Even after allowing for a fall of nearly £55,000 in taxation, net profits have declined from £221,302 to £131,699. It seems probable, however, that these disappointing figures are a reflection of the uneven incidence of heavy engineering contracts, rather than of a genuine decline in profitability. The chairman, Mr D. F. Campbell, explains in his statement to shareholders that one large contract was nearly, though not quite, completed by the end of the financial year on March 31st; the profit on it will be brought into this year's results. Moreover, whereas last year Mr Campbell had to report that no rolling mill contract of any size had been placed by the British steel industry for two and a half years, this time he is able to announce a very big contract indeed. The company has recently secured orders worth about £4 million for rolling mill equipment from Richard Thomas and Baldwins, and from the Steel Company of Wales; this is probably the largest group of rolling mill contracts ever placed with a single company in Britain. Although some recent contracts for export work, on which the company had been mainly depending, have been less than usually remunerative, this rolling mill order should go far towards keeping the company in full and

fairly profitable employment, even if a minor world trading recession recurs.

Although the gross amount of work-in-progress has risen by £737,000, advance payments have risen sufficiently to offset this—in fact net stocks and work-in-progress are slightly down. But fixed investment has continued at a high rate, and the group's bank overdraft has increased from £221,157 to £303,268 despite last year's share issue. The group has therefore decided to raise more permanent capital by another rights issue at par, this time on a one-for-twenty-one basis. Capital expenditure commitments are stated to be £276,000, against £204,000 a year ago.

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	584,455	442,798
Total income.....	584,737	443,138
Depreciation.....	76,438	87,856
Taxation.....	235,823	180,909
Net profit.....	221,302	131,699
Ordinary dividends.....	51,824	56,943
Ordinary dividends (per cent).....	10	10
Retained by subsidiaries.....	24,000	20,000
General reserve.....	50,000	50,000
Added to carry forward.....	14,478	5,451
Cons. balance sheet:—		
Fixed assets, less depreciation.....	1,282,434	1,405,566
Net current assets.....	1,194,801	1,192,387
Stocks.....	1,293,702	1,272,036
Debtors.....	1,213,676	1,151,934
Cash.....	36,457	37,621
Bank overdrafts.....	221,157	303,268
Reserves.....	1,323,103	1,419,631
Ordinary capital.....	987,132	1,035,322

Despite the sizeable drop in net profits, the usual 10 per cent dividend is maintained on the shares. In the chairman's words "stockholders must be prepared, in a business like this, for some ebb and flow of profits." Perhaps some stockholders are feeling that there has been a little too much ebb in the last few years; but with the 10 per cent dividend more than twice covered by net profits, with the rolling mill contract in hand, and with the £1 ordinary stock at 31s. 3d. yielding £6 8s. per cent, the new rights issue should have a wide appeal.



THE ECONOMIST, SEPTEMBER 26, 1953

LONDON STOCK EXCHANGE

Next Account begins: September 30th.
Next Contango Day: September 30th.
Next Settlement Day: October 6.

THE market's first excited reaction to the reduction in Bank rate sent prices surging upwards until Friday's close, by which time 3½ per cent War Loan (at 86½) had risen by 3½ points in two days and the *Financial Times* index of industrial ordinary stocks (at 125.8) had risen by 2.6 points. On Monday, dealings were still very active; in fact, bargains marked totalled 10,819, the highest figure since February 18, 1952. But by that time long-dated gilt-edged were already inclined to sag, and by Wednesday's close War Loan was back to 86—and declined further on Thursday. At the beginning of the week, however, there was an increase in the top prices of Electricity 4½ per cent and Gas 4 per cent, which had moved out of line with other gilt-edged stocks both before and during the excitement. By Wednesday's close Electricity 4½ per cent 1974-79 stood at 101½ compared with 101½ on Friday and with 100½ before the Bank rate reduction, Savings 3 per cent 1955-65 at 97 compared with 97½ and 96½, and Serial Fundings 3 per cent 1955 at 101½ compared with 101½ and 100½.

Industrials were still strong on Monday, and the *Financial Times* ordinary share index rose to 126.0, the highest for the year, compared with 123.2 on the eve of the Bank Rate change. In the stores group, "Gussies" and Debenhams went ahead; while elsewhere National Canning spurred 13s. 9d. to 123s. 9d. on the proposed share bonus, and the newly issued Newcastle Breweries 4½ per cent debentures got well away to a premium of 3½. By Tuesday, however, considerably quieter conditions had spread to all sections of the market with a generally downward tendency. Profit-taking set in in industrials, despite a rally on Wall Street prices; by Wednesday's close the *Financial Times* index was back to 125.2.

Elsewhere in the market there were modest mid-week rallies in oils, Kaffirs and copper shares. Teas were slightly better, but rubbers remained dull in spite of a small recovery in the commodity. German bonds went ahead on Wednesday following the first transfer of foreign currency under the debt settlement.

FINANCIAL TIMES INDICES					
1953	Security Indices		Yields		
	Ord.*	Fixed Int.†	2½% Con.	Ord.	
Sept. 16...	123.2	109.38	4.07	5.71	
" 17...	124.8	110.50	3.94	5.65	
" 18...	125.8	111.28	3.86	5.61	
" 21...	126.0	111.43	3.86	5.60	
" 22...	125.4	111.36	3.87	5.63	
" 23...	125.2	111.26	3.89	5.64	
1953, High.	126.0	111.43	Total bargains		
" (Sept. 21)	113.9	105.68	" 17	7,262	
" (Jan. 5)	"	"	" 18	9,338	
" (May 20)	"	"	" 21	10,819	
1952, High.	121.5	106.66	" 22	8,335	
" (Jan. 1)	"	"	" 23	7,754	
" (June 24)	103.1	100.67			
" (July 3)	"	"			

* July 1, 1925=100. † 1928=100.

THE ECONOMIST, SEPTEMBER 26, 1953

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Sept. 23		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 16, 1953	Price, Sept. 23, 1953	Net Yield, Sept. 23, 1953 s. d.	Gross Yield, Sept. 23, 1953 s. d.	Prices, 1953 Jan. 1 to Sept. 23		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Sept. 16, 1953	Price, Sept. 23, 1953	Yield, Sept. 23, 1953 s. d.
High	Low							High	Low						
100 ½	99 ½	War Bonds 2½% '52-54...	100 ½	100 ½	1 19 11	2 6 0	39/10½	32/3	10 c	12 ½	ENGINEERING		37/-	37/6	6 13 4
98 ½	98 ½	Exchequer 2½% 1955...	99 ½	100 ½	1 1 8	2 3 6	14/3	10/10½	15 c	5 a	B.S.A. £1.....		12/-	12.9*	7 5 11 ½
101 ½	99 ½	Exchequer 3% 1960...	101 ½	101 ½	1 7 5	2 3 9	55/4½	45/3	5 a	10 b	Camell Laird 5/-.....		51/-	52/-	5 15 5
99 18/7½	99 ½	Serial Funding 1½% 1953...	99 ½	99 ½	1 2 11	2 3 10	51/1½	44/6	12 ½ b	24 a	Guest Keen N'old £1.....		49/6	49/9	6 0 8
99 ½	98 ½	Serial Funding 1½% 1954...	99 ½	99 ½	1 2 11	2 3 10	31/-	21/4½	7 b	4 a	Vickers £1.....		29/6	30/6	7 4 3
101 ½	100 ½	Serial Funding 3% 1955...	100 ½	101 ½	0 15 6	2 6 11	28/9	21/4½	11 c	12	Bradford Dyers £1.....		25/-	26/6	6 0 9 ½
100 ½	98 ½	War Bonds 2½% '54-56...	100 ½	100 ½	1 4 2	2 10 8	48/1½	41/4½	5 a	7 ½ b	Brit. Celanese 10/-.....		44/-	45/-	5 11 1
100 ½	99 ½	Funding 2½% '52-57...	100 ½	101 ½	1 4 10	2 12 8	46/10½	37/3	5 a	6 ½ b	Coats (J. & P.) £1.....		44/3	45/3	4 19 5
101 ½	99 ½	Nat. Def. 3% '54-58...	101 ½	101 ½	1 6 10	2 13 4	50/-	38/6	10 b	5 a	Courtauld's £1.....		48/7½	48/9	6 3 1 ½
102 ½	99 ½	War Loan 3% '55-59...	101 ½	101 ½	1 19 2	3 6 11 ½	66/-	49/-	4 a	16 b	Lancs. Cotton £1.....		65/-	65/9	6 1 8
97 ½	91 ½	Savings Bonds 3% '55-65...	97 ½	97 ½	1 13 1	2 15 8	81/6	73/-	7 ½ a	12 ½ b	Patons & Baldwins £1.....		37/6	38/9*	5 1 7
98 ½	93 ½	Funding 2½% '56-61...	90 ½	91 ½	2 5 5	3 13 8	38/4½	33/3	2 a	8 b	Assoc. Elect. £1.....		37/-	38/-	5 5 3
91 ½	86 ½	Funding 3% '59-69...	93 ½	93 ½	2 3 1	3 11 6	60/6	51/-	10 b	5 a	Brit. Insulated £1.....		52/6	53/9	5 11 7
94 ½	87 ½	Funding 4% '60-90...	101 ½	101 ½	2 1 7	3 19 10 ½	46/-	36/6	3 ½ a	7 ½ b	English Elect. £1.....		37/6	39/4½	5 14 4
02 ½	98 ½	Savings Bonds 3% '60-70...	89 ½	90 ½	2 6 3	3 15 0	19/6	15/6	5 a	6 ½ b	General Elect. £1.....		17/-	18/-	5 11 1 m
91 ½	85 ½	Savings Bonds 2½% '64-67...	89 ½	90 ½	2 4 7	3 9 4	7/5½	5/8½	17 ½ c	4 a	Bristol Aero 10/-.....		7/1½	7/3	7 3 5 n
91 ½	84 ½	Victory 4% '20-76...	101 ½	101 ½	2 1 1	3 16 11 ½	35/10½	23/6	7 ½ c	7 ½ c	British Motor 5/-.....		26/9	27/3	5 10 1
88 ½	82 ½	Savings Bonds 3% '65-75...	86 ½	88 ½	2 6 9	4 5 4	34/-	25/1½	15 c	15 c	De Havilland £1.....		30/3	32/3	4 13 0 v
95 ½	86 ½	Consols 4½% aft. Feb. '57...	92 ½	94 ½	2 5 2	4 2 1	44/3	36/6	5 ½ b	6 a	Ford Motor £1.....		43/6	43/6	5 5 9
86 ½	77 ½	Conv. 3½% aft. April '61...	82 ½	85 ½	2 3 2	3 18 6	79/3	78/6	25 c	25 c	Hawker Siddeley £1.....		86/3	86/3	5 15 11
64 ½	57 ½	Treas. 2½% aft. April '75...	61 ½	63 ½	2 4 3	4 0 5	29/-	24/-	25 c	2 a	Leyland Motors £1.....		28/1½	28/1½	5 18 6 o
75 ½	67 ½	Treas. 3% aft. April '66...	91 ½	93 ½	2 5 5	3 18 11 ½	66/6	58/6	5 a	10 b	Raleigh Ind. £1.....		62/6	64/4½	4 13 4
94 ½	87 ½	Treas. 3½% '77-80...	91 ½	93 ½	2 5 4	3 18 11 ½	7/2	5/3½	12 c	12 c	Rolls Royce £1.....		7/-	7/-	8 11 5
94 ½	90 ½	Treas. 3½% '79-81...	81 ½	84 ½	2 4 2	3 14 6 ½	22/-	19/-	20 c	5 a	Standard Motor 5/-.....		21/-	21/-	4 15 3
84 ½	76 ½	Redemption 3% '86-96...	83 ½	86 ½	2 5 1	4 2 6	37/9	16/6½	22 ½ b	12 ½ b	Boots Pure Drug 5/-.....		33/-	36/6	3 17 8
87 ½	77 ½	War L'n 3½% aft. Dec. '52...	61 ½	64 ½	2 2 9	3 17 9	100/7½	85/1½	5 a	17 ½ b	Debenhams 4/-.....		96/3	99/4½	4 10 7
64 ½	58 ½	Consols 2½%.....	87 ½	88 ½	2 7 8	3 16 8 ½	63/1½	46/3	15 a	35 b	Lyons (J.) "A" £1.....		60/-	63/-	3 19 4
83 ½	83 ½	Br. Elec. 3% '68-73...	87 ½	88 ½	2 7 8	3 16 8 ½	59/3	44/3	55 c	20 a	Marks & Spen. "A" 5/-.....		57/9	58/9	4 14 5
82 ½	82 ½	Br. Elec. 3% '74-77...	100 ½	101 ½	2 4 7	4 2 6 ½	7 ½	5 ½	5 a	30 b	Anglo-Iranian £1.....		7 ½	7 ½	4 17 5
102 ½	99 ½	Br. Elec. 4½% '74-79...	92 ½	94 ½	2 5 0	3 18 7 ½	56/7½	40/11½	2 ½ a	12 ½ b	Burmah Oil £1.....		53/9	53/9	5 11 7
94 ½	88 ½	Br. Elec. 3½% '76-79...	82 ½	84 ½	2 6 7	3 17 3 ½	43/1	29/8½	4 a	12 b	Royal Dutch 100 fl.....		43/1	43/1	4 16 6
85 ½	76 ½	Br. Trans. 3% '78-88...	87 ½	88 ½	2 7 8	3 16 8 ½	89/6	75/7½	5 ½ a	10 ½ b	Shell Reg. £1.....		87/6	88/1½	6 3 9
88 ½	83 ½	Br. Trans. 3% '88-73...	98 ½	99 ½	2 4 11	4 1 8 ½	29/1½	23/-	11 ½ b	5 ½ a	Trinidad L'holds 5/-.....		27/6	28/9	5 5 5
100 ½	95 ½	Br. Trans. 4% '72-77...	82 ½	85 ½	2 4 6	3 15 3 ½	44/1½	34/6	13 ½ b	2 ½ a	Cunard £1.....		38/6	38/6	8 6 2
85 ½	76 ½	Br. Gas 3% '90-95...	94 ½	95 ½	2 4 6	3 16 11 ½	62/10½	52/9	6 a	14 b	P. & O. Def. £1.....		61/6	62/-	6 9 0
96 ½	91 ½	Br. Gas 3½% '69-71...	98 ½	99 ½	2 4 9	4 0 11 ½	30/9	24/-	10 c	10 c	Royal Mail £1.....		26/-	26/-	7 3 10 p
99 ½	98 ½	Br. Gas 4% '69-72...	98 ½	99 ½	2 4 9	4 0 11 ½	62/6	51/7½	22 ½ b	5 a	Assoc. Port. Cem. £1.....		60/-	61/3	4 18 0 r
							38/9	27/6	15 c	15 c	Bowater Paper £1.....		37/6	37/6	8 0 0
							43/10½	36/7½	8 b	4 a	Brit. Aluminium £1.....		39/-	37/6	6 8 0
							39/3½	34/-	16 ½ c	6 ½ a	Brit. Amer. Tob. 10/-.....		36/6	36/9	5 7 3 t
							6/9	5/6½	11 ½ b	3 a	Canadian Pacific £25.....		41½	44½	6 8 0
							32/6	17/9	150 c	10 a	Carreras "B" 2/6.....		6/6	6/3	7 0 0
							52/3	42/9	17 ½ c	17 ½ c	Deca Record 5/-.....		31/-	31/9	4 14 6 u
							49/3	41/6	5 a	8 b	Dunlop Rubber £1.....		50/-	51/3	6 16 7
							58/4	50/1½	11 ½ b	8 a	Imp. Chemical £1.....		46/9	46/6	5 11 10
							58/4	50/1½	11 ½ b	8 a	Imp. Tobacco £1.....		56/-	57/-	7 0 4 q
							52/60	41/50	12 ½ b	12 ½ b	Inter. Nickel n.p.v.....		70½	71½	6 10 4
							61/3	61/3	20 c	10 b	London Brick £1.....		68/9	68/9	5

EXCHEQUER RETURNS

For the week ended Sept. 19th there was an "above-line" deficit (after allowing for Sinking Funds) of £43,296,000 compared with a deficit of £20,206,000 in the previous week and a deficit of £21,432,000 in the corresponding period last year, raising the cumulative deficit to £271,064,000 (£319,426,000 in 1952-53). Net expenditure "below-line" absorbed £8,000,000, bringing the total cumulative deficit to £490,270,000 (£605,715,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Sept. 20, 1952	April 1, 1953 to Sept. 19, 1953	Week ended Sept. 20, 1952	Week ended Sept. 19, 1953
Ord. Revenue					
Income tax	1782,250	462,145	435,562	9,006	7,770
Sur-tax	127,000	31,800	31,500	1,300	900
Death Duties	160,000	69,900	77,100	3,000	2,500
Stamps	32,000	23,550	24,900	1,000	1,000
Profits Tax & E.P.T.	214,000	184,500	96,700	7,700	3,200
Excess Profits Levy	99,500	...	31,150	...	1,600
Special Contribution and other Inland Revenue	1,000	910	430	30	...
Total Inland Rev.	2435,750	772,805	697,442	22,036	16,979
Customs	1044,300	489,192	497,904	20,408	21,277
Excise	680,480	333,553	333,713	3,539	4,140
Total Customs and Excise	1724,780	822,745	829,617	23,934	25,417
Motor Duties	69,000	11,763	13,345	...	...
PO (net receipts)	2,685	...	...	...	2,500
Broadcast Licences	16,000	4,050	4,750	...	...
Steady Loans	25,000	18,758	19,284	...	...
Miscellaneous	95,000	35,785	51,822	1,831	65
Total	4368,215	1665,906	1616,261	47,805	39,953
Ord. Expenditure					
Debt Interest	615,000	270,304	272,710	4,314	6,009
Payments to N.I.	...	...	...	...	...
Ireland Exchequer	48,000	17,192	20,848	...	...
Other Cons. Fund	10,000	4,550	4,814	...	...
Supply Services	3586,285	1676,991	1572,420	64,680	76,923
Total	4259,286	1969,037	1870,792	68,998	82,939
Sinking Funds					
...	...	16,295	16,533	240	310
'Above-line' Surplus or Deficit		319,426	271,064	21432	43296
"Below-line" Net Expenditure		286,239	219,206	12,580	8,000
Total Surplus or Deficit		605,715	490,270	34012	51296
Net Receipts from:					
Tax Reserve Certificates	58,954	113,976	1,802	4,259	...
Savings Certificates	7,400	10,500	1,900	100	...
Defence Bonds	37,759	29,365	601	859	...

FLOATING DEBT

Date		Treasury Bills		Ways and Means Advances		Total Floating Debt
		Tender	Tap	Public Depts.	Bank of England	
1952						
Sept. 20	3,090-0	1,470-4	516-6	...	...	4,877-0
June 30	4,597-8	...	252-3	5-0	...	4,855-1
July 4	3,170-0	1,438-2	239-8	...	...	4,848-0
" 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	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	229-5	...	...	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

THE MONEY MARKET

AFTER several stages of adjustment, the pattern of money rates in alignment with the new Bank rate is now emerging; it is set out in tables below and on page 867. The clearing banks immediately reduced their call loan rates (as well as deposit allowances) by $\frac{1}{4}$ per cent immediately after the new rate was announced, to $\frac{1}{4}$ per cent for loans against Treasury bills and $\frac{1}{2}$ per cent against commercial bills and bonds; but on Tuesday bond money was cut by a further $\frac{1}{4}$ per cent and commercial-bill money by $\frac{1}{4}$ per cent. Discount rates for commercial bills, now entirely flexible, have fallen steeply—for the three months' bill, from the pegged level of 3 per cent down to $\frac{1}{4}$ per cent by Wednesday last.

Business in Lombard Street has not yet reflected the indications that the new flexibility will mean that the market will not be so consistently aided by the authorities as in the past. Special help from the Bank's buyer was needed and given on every day of the week to Wednesday last to meet the strong demand for funds; and on Monday and Wednesday the "smoothing" purchases—made mainly directly from the market—assumed really large proportions.

The average rate of allotment of the £280 million of Treasury bills offered at last week's tender was nearly $\frac{1}{4}$ per cent lower than in the previous week, at £2 3s. 0.06d.; the market's bid was raised by 1s. 3d. to £99 9s. 3d. for 91 day bills, on which its "quota" was 76 per cent; but full allotment of the 90 and 93 day bills raised its average quota to 80 per cent. Yesterday's offer was down to £270 million, and the excess of new bills to £20 million.

The Bank return shows a further reflux of notes of £6.4 million; bankers' deposits rose by £13.2 million over the week.

LONDON MONEY RATES ON SEPT. 23

Bank rate from 4% 17/9/53	Discount rates
Bank bills: 60 days	2 1/4
3 months	2 1/2
6 months	2 3/4
12 months	2 1/2
Money—Day-to-day	1 1/2
Short periods	1 1/2
Treas. bills 2 months	2 1/4
3 months	2 1/2
6 months	2 3/4
12 months	2 1/2

LONDON CLOSING EXCHANGE RATES

	Official Rates		Market Rates: Spot						
	Sept. 23	Sept. 17	Sept. 18	Sept. 19	Sept. 21	Sept. 22	Sept. 23	Sept. 23	Sept. 23
United States \$	2-78-2-82	2-79-2-80	2-79-2-79	2-79-2-80	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	2-75-2-75	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	972-65-987-35	972-65-987-35	972-65-987-35	972-65-987-35	972-65-987-35	972-65-987-35	972-65-987-35	972-65-987-35
Swiss Fr.	12-15-12-33	12-17-12-17	12-17-12-17	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	139-90-140-00	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05
Dutch Gld.	10-56-10-72	10-60-10-60	10-61-10-61	10-61-10-61	10-61-10-61	10-61-10-61	10-61-10-61	10-61-10-61	10-61-10-61
W. Ger. D. Mk.	11-67-11-84	11-67-11-84	11-67-11-84	11-67-11-84	11-67-11-84	11-67-11-84	11-67-11-84	11-67-11-84	11-67-11-84
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	14-43-14-44	14-44-14-45	14-44-14-44	14-44-14-44	14-44-14-44	14-44-14-44	14-44-14-44	14-44-14-44
Danish Kr.	19-19-19-48	19-35-19-35	19-35-19-35	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	19-82-19-82	19-82-19-82	19-82-19-82	19-82-19-82	19-82-19-82	19-82-19-82	19-82-19-82	19-82-19-82
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 \$	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
French Fr.	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
Swiss Fr.	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
Belgian Fr.	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
Dutch Gld.	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
W. Ger. D. Mk.	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
Portuguese Esc.	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
Swedish Kr.	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
Danish Kr.	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
Norwegian Kr.	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

BANK OF ENGLAND RETURNS

	1952		1953	
	Sept. 24	Sept. 16	Sept. 2	Sept. 2
Issue Department:				
Notes in circulation	1,444-1	1,538-0	1,531-6	1,531-6
Notes in banking dept.	56-3	37-3	45-7	45-7
Govt. debt and securities	1,496-8	1,571-7	1,571-8	1,571-8
Other securities	0-7	0-8	0-7	0-7
Gold coin and bullion	2-9	2-9	2-9	2-9
Banking Department:				
Deposits:				
Public accounts	11-1	11-2	10-5	10-5
Treasury special account	24-2	19-9	19-9	19-9
Bankers	275-7	285-5	298-7	298-7
Others	67-0	67-8	68-1	68-1
Total	374-0	384-4	397-2	397-2
Securities:				
Government	317-8	341-8	351-1	351-1
Discounts and advances	5-2	7-5	13-1	13-1
Other	15-7	13-7	13-1	13-1
Total	338-7	363-0	377-3	377-3
Banking department reserve	57-8	39-9	46-2	46-2
"Proportion"	15-3	10-3	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. 19	260-0	331-1	260-0	49 8-12	61
May 15	250-0	345-8	250-0	47 8-01	62
" 22	250-0	343-3	250-0	47 7-94	62
" 29	260-0	346-9	260-0	47 4-01	70
June 5	270-0	339-3	270-0	47 4-53	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	68
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	395-8	250-0	46 11-66	48
Aug. 7	260-0	369-6	260-0	47 3-50	66
" 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

* On Sept. 18th tenders for 91 day bills at £99 9s. 3d. secured about 76 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

ALLIANCE

ASSURANCE COMPANY LIMITED

Established



1824

Head Office: Bartholomew Lane
London, E.C.2, England

THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE

The "Alliance" has representatives throughout the United Kingdom, British Commonwealth and elsewhere abroad.

GLYN, MILLS & CO.

BANKERS

for personal service
in banking



HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks: Royal Bank of Scotland
Williams Deacon's Bank Ltd.

Another phase of AUSTRALIAN DEVELOPMENT



Large production increases are planned in Australia's primary industries during the next five years.

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

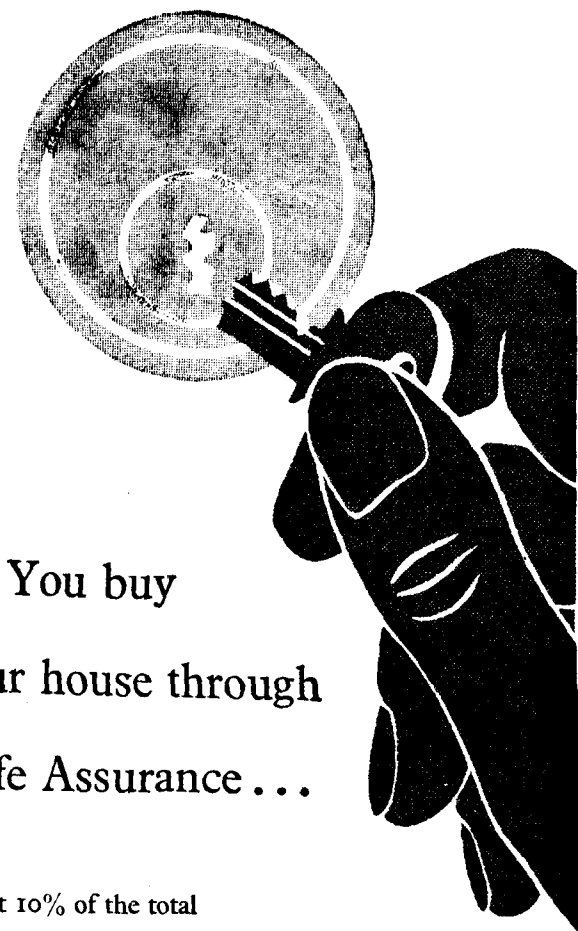
Other London Offices: Australia House, Strand, W.C.2
and 11a Albemarle Street, W.1

660 Offices in Australia

Assets £229 Million

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies



You buy
your house through
Life Assurance...

About 10% of the total

funds of the Life Offices

are invested in house and

other mortgages and loans.

Your life premiums

are making possible

this very worth-while service.

And the rest? British Industry, British Government stocks,
Commonwealth and other government stocks...

The guiding principle behind Life

*Assurance investment is the security
and benefit of the policyholder.*

Issued by The Life Offices' Association London

we also help
build your
neighbour's

THE PHILADELPHIA NATIONAL BANK

1803
150 YEARS OF
BANKING SERVICE
1953

Capital and Surplus . . . \$55,000,000
Deposits \$780,000,000

Frederic A. Potts, President

T. Graydon Upton, Vice President
FOREIGN DEPARTMENT

Bankers for
The City of Philadelphia
and
The Commonwealth of Pennsylvania

*We conduct the largest domestic and foreign banking
business in Philadelphia and the Delaware River area*

PHILADELPHIA 1, PA., U.S.A.
Cable Address: PHILABANK

The Gateway to Security

2½%
FOR THE
INVESTOR
(Income Tax paid by the Society)
£1-£5,000 accepted

TEMPERANCE
PERMANENT
BUILDING SOCIETY
223-227, REGENT ST., LONDON, W.1
PHONE REG. 7282
BRANCHES THROUGHOUT THE COUNTRY



CALEDONIAN Insurance Company

FOUNDED 1805

Incorporated by Special Act of Parliament

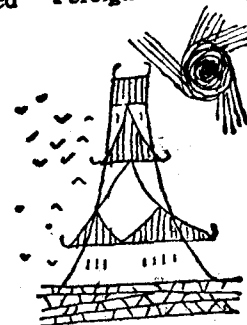
A World-wide Organisation
transacting
ALL CLASSES OF INSURANCE

General Manager:

WILLIAM GRAHAM ROBERTSON

HEAD OFFICE: St. Andrew Square, Edinburgh
LONDON OFFICE: 5 Lothbury, London, E.C.2

If It's About
Japan-----
SANWA BANK
(Authorized Foreign Exchange Bank)



Chairman of the Board:
& President: TADAO WATANABE
Capital: ¥2,500,000,000
Head Office: IMABASHI, OSAKA
Tokyo Office: MARUNOUCHI, TOKYO
SAN FRANCISCO BRANCH:
465 CALIFORNIA STREET, SAN FRANCISCO

A complete network of 185 nationwide
branches and worldwide correspondents



BAYERISCHE VEREINSBANK

Every description of Domestic and
Foreign Banking Business transacted

Munich Office: 14 Kardinal-Faulhaber-Strasse
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 06/3933

Nuremberg Office: 21 Lorenzerplatz
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsberg Office: 37 Maximilianstrasse
Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067/820

Offices and Branches all over Bavaria
Correspondents throughout the world

KEEP IN TOUCH
WITH JAPAN
THROUGH THE FUJI BANK

ESTABLISHED IN 1880



PAID UP CAPITAL ¥2,700,000,000

The FUJI BANK Ltd.

184 BRANCHES, LOCATED IN KEY
CITIES THROUGHOUT JAPAN

HEAD OFFICE

1-CHOME, OTEMACHI, CHIYODA-KU, TOKYO

LONDON BRANCH

1-4 COPTHALL CHAMBERS, ANGEL COURT, LONDON EC2

Gestetner

LIMITED
TOTTENHAM, LONDON, N.17

The Company manufactures the world-famous "Gestetner" Duplicating Machine and accessories. It has branches throughout the United Kingdom and subsidiary companies or representatives in all parts of the British Commonwealth, in the Americas, the Far East, and many countries in Europe. Extensive servicing facilities are available throughout the organisation.

SUMMARISED CONSOLIDATED BALANCE-SHEET OF GESTETNER LIMITED & SUBSIDIARIES

based on figures as at 31st August, 1953

Issued Capital	£ 1,824,170	Fixed Assets at cost	£ 2,088,365
Capital Reserves	372,288	Less: Accumulated Depreciation	1,070,534
Revenue Reserves and Unappropriated Profits	1,458,794		
Outside Shareholders' Interests	951	Patents and Goodwill	1,017,831
		Subsidiary Companies not consolidated	94,830
		Excess of Current Assets over Liabilities and provisions	2,543,541
	£3,656,203		£3,656,203

SUMMARISED GROUP APPROPRIATIONS

Net Profit for the year, after Taxation, Staff Insurance Schemes, etc.	£ 384,994		£
Add Taxation adjustment in respect of previous years	77,405		
Net Distributions for year:—			
Preference Dividends			462,399
Ordinary Dividends	18,140		
	118,159		
Retained in the Group			136,299
			£326,100

Extracts from the Chairman's Statement are appended:—
"The latest Gestetner '260' range of duplicators which was recently launched marks the biggest advance in duplicating apparatus that has ever been made. The machines in this range outmode any other duplicators which have hitherto been produced.
"We have continued to play our full part in exports and to be the leaders in our field. Last year I stated that the majority of duplicators exported from this country were of your Company's manufacture. This year I report with pride that our lead has increased. This is indeed gratifying and, having regard to the increasingly competitive conditions in the world in general, is further proof of the technical superiority and quality of your Company's products. We are proud of our claim to be the oldest and biggest firm in the duplicating industry, whilst still showing the qualities of youth in spirit and desire to progress."

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Gestetner Works, Tottenham, London, N.17.

NOTICES

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

Applications are invited for a Research Assistantship in Economic History. Graduates in either History or Economics may apply, though some qualification in both subjects is desirable. The person appointed will be expected to undertake a research project bearing on the industrial history of South Wales. The appointment (which carries a salary of £450 p.a.) is for one year in the first instance but is renewable for a further two years.

Applications, with the names of two referees, should reach the undersigned, from whom further particulars may be obtained, by October 17, 1953.

T. MAELGWYN DAVIES,
Registrar.

NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

Economics graduate with good shorthand typing required to act as private secretary to the Director. Applications in writing only, giving full details and salary required, to the Secretary, 2 Dean Trench Street, Smith Square, S.W.1.

MARKET RESEARCH.—A vacancy exists in the Market Research department of a well-known manufacturing company in the Home Counties for a young man with an honours degree in economics, and some experience of industry or commerce. The post offers exceptional opportunity for gaining a wide experience in the planning and operation of market research enquiries. The initial salary will be not less than £600 p.a. plus non-contributory pension and life assurance benefits. Applicants are invited to write in confidence, giving full details of their age, qualifications and experience, to Box 340.

OPERATIONAL RESEARCH. COURTAULDS, LIMITED, has a vacancy for an Assistant in its Operational Research Department with a degree in applied mathematics, physics, chemistry or engineering and with an interest in investigational work.

A knowledge of statistics is desirable but basic mathematics for learning statistical methods and related techniques is essential. Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds, Limited, 16 St. Martin's-le-Grand, London, E.C.1 quoting the reference number C.47.

SALES EXECUTIVE with wide commercial experience (home and export) and a sound knowledge of building technique, with extensive connections in government departments and industry generally, seeks a progressive appointment. Box 333.

PHYSICS DEGREE or equivalent. Assistants (male or female) required for research and development work on Timber. Good prospects in a rapidly developing field; excellent working conditions. Apply to The Aircrow Co. & Jicwood Ltd., Weybridge, Surrey, stating age, qualifications and experience.

SALES EXECUTIVE, 36, wide experience, assistant to Managing Director of small manufacturer, desires wider scope in management. Experienced in advertising, supervision of staff, planning, administration. Box 335.

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 308.

NEWCASTLE-UPON-TYNE EDUCATION COMMITTEE

MUNICIPAL COLLEGE OF COMMERCE

Applications are invited for the post of Principal, which will become vacant in April 1954, on the retirement of the present Principal, Mr J. Lamb, B.A., B.Sc.
The College, which attracts students from a wide surrounding area, has an annual enrolment of approximately 4,000 part-time day and evening students and 100 full-time students. University Degree and Professional Courses in Accountancy, Librarianship, Management, etc., are provided.

As the post entails considerable contact with business firms, professional organisations, etc., candidates should have had responsible business experience and be aware of modern methods and needs in commerce and industry. A high degree of organising ability and wide interests are also essential.

Salary £1,390 x £50—£1,640.
Further details and forms of application may be obtained from the undersigned, to whom completed applications should be returned within fourteen days of the appearance of this advertisement.

H. V. LIGHTFOOT,

City Education Office, Northumberland Road, Newcastle-upon-Tyne, 1.

BRITISH ASSOCIATION SCIENCE AND INDUSTRY COMMITTEE

Applications are invited for two research posts on the staff of the above Committee which is studying problems of speeding up the application in industry of the results of scientific research. At least one appointment will be concerned with case studies in industrial developments. For this post previous industrial experience is essential. The period of appointments will be two years. Salaries will be in the ranges: Senior £1,000-£1,250, Junior £400-£550—according to qualifications and experience.—Further details may be obtained from Prof. E. R. Williams, University College, Keele, Staffs.

ARE YOU COMING TO HEAR Lord Derby, Miss Margaret Potter and Mr. Maurice Winnick? They will all be at the Central Hall, Westminster, at 7.30 p.m. on Monday, September 28th, discussing competitive television. Admission is free.—Popular Television Association, 78 Buckingham Gate, London, S.W.1. Tel.: ABBey 4437.

NATIONAL TRADE ORGANISATION in London has a vacancy in its export department for a young man (21-25) of good education in foreign languages is desirable. A knowledge of one or more should write in their own hand giving full details of education, previous experience (if any) and interests to Box 337.

SENIOR EXECUTIVE with judgment, initiative and organising ability, seeks responsible appointment with prospects. Flair for negotiation at high level and for absorbing essentials quickly. Flair for graduate, widely travelled, several languages, ex-Major, mid-30s, but other suggestions welcome.—Box 334.

OTHER NOTICES APPEAR ON PAGE III OF COVER

COMPANY MEETINGS

FINANCE CORPORATION FOR INDUSTRY

INVESTMENTS AND COMMITMENTS EXCEED £82,200,000

BRITAIN'S FINANCIAL AND ECONOMIC POSITION

RADICAL CHANGE IN CIRCUMSTANCES VITAL

FUNDAMENTAL PROBLEM OF THE DOLLAR GAP

LORD BRUCE ON NEED FOR NEW AND IMAGINATIVE APPROACH

The eighth annual general meeting of Finance Corporation for Industry, Limited, was held on September 23rd in the Conference Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The Rt Hon Viscount Bruce of Melbourne, PC, CH, MC, FRS, the chairman, who presided, said:

"Shareholders will have observed from the report of the directors that Sir John Morison and Sir Archibald Forbes have felt compelled to resign from the board following their appointments as chairmen of the Iron and Steel Holding and Realisation Agency and of the Iron and Steel Board respectively. These resignations were received by the board with deep regret and I am sure that regret will be shared by all those interested in the corporation."

Sir John Morison was one of the original directors and his great wisdom and experience have been invaluable in resolving the many and difficult problems that have faced the corporation in the early years of its existence.

Sir Archibald Forbes, who joined the board some three years ago, has also rendered great service and his judgment and wide knowledge of industry have been of the greatest assistance to your board.

Our best wishes go with them in their new and important spheres of activity. To me I render my personal thanks for the faithful help and assistance they have accorded to me."

CONVERSION RIGHTS IN STEEL COMPANIES: CLAIM SETTLED

In my speech at our annual meeting last year I referred to our claim for compensation in respect of our conversion rights in Steel Companies which were subsequently nationalised. This claim was the subject of long and difficult negotiations, and up to the date of the closing of our accounts for the past year it had not been settled. Consequently it was necessary to insert a reference to this claim in Note 2 on the balance sheet. Agreement has now, however, been reached, and you will have learnt from the directors' report that we have accepted a sum of £2,250,000 in full settlement of our claim. This figure is, I think, a fair one, and that view is shared by all members of your board.

It is perhaps desirable that I should remind shareholders how this claim arose, particularly as it links very closely with the policy that your directors have pursued and are pursuing wherever practicable in respect to the advances we make.

At the time an advance is made, we give careful consideration to the eventual capital structure to be adopted and when it becomes possible to substitute permanent finance for FCI's advances. Our policy is to make our advances at the lowest possible rate of interest during the construction and de-

velopment period of any new venture or expansion of an old one. To our advances, however, we endeavour to attach conversion rights into the equity, so that should the project prove a pronounced success we will be able to obtain some reasonable compensation for the risks we have run.

In a number of our advances to the steel companies, we inserted a provision of this sort, including in the case of the Steel Company of Wales the right to convert £10 million of the loan into the equity.

Under nationalisation all our conversion rights in these companies disappeared but a provision was included in the Act for compensation in such cases.

While I have said that the amount of £2,250,000 which we have received appears to me a fair and reasonable settlement under all the circumstances, I am confident that had not nationalisation taken effect our rights in respect to such conversions would have realised an even greater amount.

This compensation, together with the profit that will accrue to us in respect to the advance to F. Perkins, Limited, of Peterborough, to which I referred at our annual meeting last year, constitute a very substantial cushion against losses. This should be reassuring to any of our shareholders who may have felt some anxiety with regard to the large amount uncalled upon the shares they hold in the corporation.

BOARD'S INVESTMENT POLICY

Shareholders will have observed that your directors have again this year considered it desirable and necessary to apply the whole of the profits for the year in writing down our investments. I feel that I should say a few words as to the reasons that have led your board to adopt this course.

On our balance sheet you will see a note to the effect that investments by way of loans and participations in other companies include interests in companies in the development stage, the value of which cannot yet be assessed. From the very nature of our business it is inevitable that that should be the position. I would remind you that our charter imposes upon us the duty of making advances for new industries or for the expansion of old ones which are desirable in the interests of the national economy and for which the necessary finance cannot be found through ordinary channels.

For such new ventures or expansions a period of time is required for construction and the installation of the necessary plant and machinery, and after this is done a period of operation must elapse before it is possible to determine the success or otherwise of the venture and the possibility of replacing our finance by a private or a public issue.

During this period of construction and installation, and before operational results have demonstrated the value of the project,

it is impossible for your directors to assess, with confidence the value of the securities that we hold.

PETROCHEMICALS

An outstanding example is our investment in Petrochemicals. Last year I referred to the position of this company in some detail and told you that the company had passed from the constructional to the operational stage. Unfortunately this coincided with a recession in the chemical industry, to which many references have been made in the press and which has been reflected in the results of the big operators.

Notwithstanding these adverse conditions, a marked improvement in the operational efficiency of the plant and the company's sales organisation has been effected by the new management during the past twelve months. This is reflected in the results, which are better than those of the previous year but are still quite unsatisfactory. It will take some years of hard work and concentrated effort on the part of the management, staff and workers before Petrochemicals will be in a position to meet its heavy charges for interest and depreciation.

In these circumstances it is impossible to assess with certainty the value of our investment in this company. In view of the magnitude of this investment, however, it is desirable and prudent that the fullest possible provision should be made against any eventual loss and this course your directors have adopted.

BALANCE SHEET FEATURES

I now turn to the balance sheet and profit and loss account. The accounts for the past year have been in your hands for some three weeks and while I think they are self-explanatory you may like me to emphasise one or two essential features.

You will observe that in the balance sheet this year we have divided our investments between those in nationalised steel companies and those in other companies.

Repayment of our advances to nationalised steel companies is now guaranteed by the Iron and Steel Holding and Realisation Agency, and repayment can be made or called for by six months' notice. To date your directors have not deemed it desirable to give such notice.

During the year under review £30,000 has been repaid under the terms of the original contract.

Investments by way of loans and participations at cost less amounts written off at March 31st last totalled £60,884,426, to which must be added the figure of further commitments £11,250,000, making a total of investments and commitments of £72,134,426, against £69,961,076 12 months earlier—an increase of £2,173,350.

The total of new business entered into during the year was £4,500,000. The difference between this figure of £4,500,000 and the total increase of £2,173,350 is accounted for by repayments of some of our earlier loans and the further amount of £200,963 written off investments in the year under review.

INVESTMENTS AND COMMITMENTS

Our investments in and commitments to companies other than steel companies stand at £32,659,426 as against £30,186,076 at March 31, 1952. Since the date of the balance sheet we have increased our commitments by £10,105,749. This means that the Corporation has advanced or committed itself to advance £82,240,175 out of its total resources of £125 million.

It is interesting to examine how this position has been progressively reached over a period of seven years, when the amount invested plus commitments has risen from £1,335,000 to £82,240,175.

31st March	Investments less amount written off	Further commitments	Total
	£	£	£
1946	254,500	1,080,500	1,335,000
1947	1,862,051	799,400	2,661,451
1948	4,737,801	41,275,750	46,013,551
1949	10,969,029	50,079,557	61,048,586
1950	32,702,386	34,160,255	66,862,641
1951	54,506,992	13,945,000	68,451,992
1952	52,836,076	17,125,000	69,961,076
1953	60,884,426	11,250,000	72,134,426

Since March 31, 1953, the loans agreed by the Corporation have increased by £10,105,749, making the total to date of investments plus commitments £82,240,175

We are entitled to call for repayment of £39,475,000 of this amount in respect to our advances to steel companies. Nevertheless, I would hesitate to regard the whole of this sum as a deduction from our commitments for the reason that, if the steel industry is to continue its programme of development and modernisation to meet our national needs, FCI will no doubt be called upon to play some part in this progressive programme.

In considering how far in the future we will be able to continue with our present resources to assist in the financing of worthwhile projects for the benefit of the national economy, we have to bear in mind what I have already pointed out, namely, that most of the projects which we finance take some years to develop and to reach the point where our loans can be repaid or replaced. In consequence, during these early years of the corporation, as the table of advances and commitments which I have just given you shows, there has been a steadily increasing outflow.

Progressively, however, there will be a growing inflow to set off against this outflow. How far the inflow will balance the outflow remains to be seen and will depend greatly on the demands for finance of the type your corporation provides over the next few years.

AIR FINANCE COMPANY

Personally, I believe the calls upon us will be substantial, because I am convinced, from my experience as your chairman, that there is a gap which your corporation alone can fill. The latest evidence that I have had that this is so is in respect to the Air Finance Company, the formation of which was announced recently.

We are all gratified at the success that has been achieved by our aircraft designers and constructors. The British aircraft industry has in recent years won for itself an outstanding technical position both in civil and in military aviation. In particular it can offer

to the operators of civilian air lines in any part of the world aircraft and aero-engines unrivalled in price, efficiency and reliability for the services for which they are designed. Experience, however, has shown that there is a real need for organised credit facilities if full advantage is to be taken of the present opportunity to expand the sales of British aircraft and aero-engines in world markets.

Under the leadership of three of the banking houses—Lazards, Morgan Grenfell and Erlangers—a scheme which has the full co-operation, financial and otherwise of a number of leading firms in the aircraft industry has been evolved to meet the position. To implement this scheme additional finance to the extent of £10 million is required. This finance your corporation has agreed to provide.

PROFIT AND LOSS ACCOUNT

I now turn to the profit and loss account. From it you will see the available balance is less than that shown twelve months ago. The

figures for 1952, however, were swollen by a payment of £98,000 for interest which we had allowed to be deferred from the preceding years. The balance of the difference is attributable to the increase in the Bank Rate, which would have had a still greater effect but for the existence of an "escalator" clause in a number of our agreements.

I do not think there are any other points with regard to the accounts that it is necessary for me to touch upon. If, however, there is any matter that it would be desired I should deal with further, I will do so in reply to any question that may be addressed to me.

THE NATIONAL ECONOMY

At our annual meetings over the past few years I have stressed to shareholders how closely our affairs are linked with the national economy. Our assessment of probable trends greatly influences us in our decisions as to how far we are justified in making advances for the creation of new industries or the expansion of old ones.

I propose again to make some observations on this important question. In doing so, I must make it clear that I, and I alone, am responsible for what I am about to say.

In the past I have expressed grave anxiety as to the financial and economic position of Britain. The year that has gone has deepened that anxiety. The grounds for my inquietude—which I have elaborated at considerable length on previous occasions—I would briefly summarise.

As a result of her unparalleled efforts in two world wars, Britain in 1945 found herself in a gravely weakened position. Leaving out of account the debts we incurred in the first world war, we find that Britain had an external debt of some £200 million by 1945 and that subsequent borrowings have raised this figure to about £2,150 million in 1953.

In 1938 Britain possessed long-term investments overseas with a nominal value of

£3,545 million. By 1946 these had been reduced to a nominal value of £2,329 million and the latest estimate puts them at £1,985 million at the end of 1951.

In June, 1938, Britain's short-term liabilities—the sterling balances—were about £750 million, but against these liabilities Britain held gold and foreign currencies worth about £800 million. Hence she could pay her depositors on demand and the £ was freely convertible. By the end of 1945 however, Britain's short-term liabilities had grown to over £3,600 million, while her holdings of gold and foreign currencies were worth only some £600 million. By the end of 1952, her liabilities stood at nearly £4,000 million but the gold and foreign currency reserves amounted to only some £700 million. As a result the £ has no longer been freely convertible, except for one brief and disastrous experiment some years ago.

Before the war Britain and the sterling area balanced their gold and dollar transactions in the normal course of trade. Since the war balance has been precarious and infrequent; there have been recurring crises; the £ has been devalued and Britain has been saved from collapse only by the receipt of grants and loans exceeding \$9,000 million. Now this aid is steadily diminishing and may very soon cease altogether.

INADEQUACY OF GOLD AND DOLLAR RESERVES

Despite the immense aid received, Britain has not yet succeeded in building up gold and dollar reserves to an adequate level. At the end of August, 1953, they stood at \$2,469 million, compared with \$2,476 million at the end of 1945. I draw your attention to the fact that between 1945 and 1952 there has really been no increase in our gold and dollar reserves. The reserves are far too low for safety and the slightest adverse movement in trading conditions can bring about a fresh crisis. The increase in the reserves over the last year, though gratifying, is wholly inadequate for full recovery.

In the light of this situation, the economic position of Britain and the sterling area can only be described as extremely insecure and any other attitude is frankly unwarranted by the facts.

IMPORTS AND EXPORTS

After the war it was clear that if Britain was to restore her financial and economic position and protect the standard of living of her people she had to increase her export and reduce her imports to the minimum level compatible with her vital requirements of food and raw materials.

Drastic action has been taken in respect to her imports and there is now little more that can be done in this direction. In any case, restriction of imports is a negative action and can never bring about the radical change in our circumstances which is absolutely vital.

Exports have been increased in a remarkable and gratifying manner. In 1952 the volume of our exports was nearly 60 per cent above the 1938 level.

In assessing this achievement of our exporters we have to bear in mind certain underlying factors. For some years after the termination of hostilities the world's need to re-equip, reconstruct and restore the ravages of war created a strong sellers' market. By 1950 this need had to a considerable extent been met and the sellers' market was rapidly turning to a buyers' market. This trend was checked by the outbreak of the Korean war, the acceleration of rearmament and stockpiling. The need for, been met and most of the shortages that appeared as a result of the Korean war have been overcome by greater production.

GERMANY AND JAPAN—FORMIDABLE COMPETITORS

With the buyers' market again upon us Germany and Japan have re-established their industrial production and their competition—which was absent in the immediate postwar years when our exports expanded so rapidly—is progressively and rapidly becoming more formidable.

Having regard to these facts, we are clearly faced with the gravest difficulties in maintaining, let alone expanding, our exports. In these circumstances it is imperative that we should increase our production and reduce our costs. This need is clearly recognised, particularly by such bodies as the Federation of British Industries and the Trades Union Council, and their efforts in these directions are wholly commendable.

COUNTRY'S VITAL NEEDS

What I venture to suggest is not so clearly understood is how desperately our financial and economic position is and how seriously are our standards of living menaced unless as a nation we make a supreme effort to overcome our difficulties.

Were there such a recognition there would be an immediate disappearance of that irritating complacency which exists in far too many quarters as to our industrial progress at home and the development of the Commonwealth and Empire overseas. There would also be a cessation of soothing statements as to our improved financial position. We might also see a more realistic approach by all political parties to the problem of taxation.

Our vital needs today are to increase productivity and reduce costs. The level of taxation today is such as to remove all incentives to increase productivity, and the overwhelming taxation burden carried by industry makes it almost impossible to finance the improved methods required to reduce costs.

The lowering of taxation is vital in the national interest. If, in order to effect it, we have to adopt the unpalatable course of a standstill or even a reduction in the amount we spend on ourselves we must do so. We are living in a fool's paradise if we think a nation can indefinitely enjoy social services beyond what its national income can provide. Better to face the issue while there is time than to see not only the social services, but our standard of living swept away by hard and inexorable circumstances.

In the event of our achieving increased productivity and decreased costs, where are we to find the markets for our expanding exports? I gather it is hoped that the necessary markets will be found by the successful operation of GATT ensuring a freer flow of international trade and by an increase of imports into the USA. This solution I cannot accept.

In view of the world-wide increase in industrial production, resulting in practically every manufacturing nation insisting on meeting its own requirements while seeking overseas markets, can anyone believe there is a possibility of a lowering of tariff barriers and the removal of Customs restrictions to permit a greater import of British goods?

UNITED STATES POLICY

With regard to the possibility of increased imports into the United States, we must all greatly welcome the statesmanlike and impressive report which Mr Douglas has submitted to the President.

With admirable clarity and great courage, he defines the tariff policy that the United

States should pursue, not only in the interests of the world but of America herself. I believe this report will bear fruit but it will take longer than we can afford to convince public opinion and the politicians in America to follow the wise course he suggests.

In the immediate future we must, I fear, recognise that the United States will not continue to pursue a liberal tariff policy once the flow of imports embarrasses the local producer.

NEW APPROACH TO BRITAIN'S PROBLEMS URGED

Because I hold these views strongly, I suggested at our annual meeting last year a new approach to our problems. Broadly, what I proposed was an immediate examination of the basic food and raw material needs of—

- The world;
- The sterling area;
- The British Empire.

Having obtained this information, I suggested the next step should be to examine the resources and production potential of the Commonwealth sterling area in relation to demands for these basic requirements. When this was ascertained I suggested the policy to be pursued could be considered in the light of the fundamental problem of today—the dollar gap. In other words, we should consider whether we should increase production to meet our own needs, thus saving dollars, or to satisfy the requirements of the USA, thus earning dollars.

How great the requirements of the USA are likely to be is brought out very clearly in the Paley Report.

It would be invaluable to have a similar report on the Sterling Area, analysing its import requirements and exporting capacity over the years. If it were found that the Sterling Area, like the United States, is moving from a surplus to a deficiency in respect of essential commodities which might cause serious shortages in the future, fresh urgency would be added to plans for increased production.

The ascertainment of the facts I have suggested as to the need for food and raw materials and the potential sources of increased production should not take long—if they are not already available, which they should be. Their ascertainment appears to me an essential starting point, particularly as I understand that there was unanimous agreement of the Commonwealth Prime Ministers in December last that throughout the sterling Commonwealth investment should be concentrated as far as possible upon projects which directly or indirectly contribute towards an improvement in the balance of payments.

Without the information which I have suggested should immediately be made available, I find great difficulty in seeing how any Prime Minister can determine how best he can implement the undertaking which he gave to the conference.

I also suggested that a Commonwealth Finance Corporation should be established, somewhat on the lines of our corporation and in view of the vast capital investment involved, that the co-operation of the USA should be sought.

In a subsequent speech I put forward the idea of a working party, under the auspices of the UK Government, the Colonial Development Corporation and the Commonwealth Finance Corporation, to give continuous study to the problems involved. The suggestion of a Commonwealth Finance Corporation was adopted by the Prime Ministers' Conference last autumn.

CLARIFICATION OF PROPOSALS

With regard to the other proposals I have put forward, I have gained the impression that they have been misunderstood—possibly with some justification from the words that I employed—as contemplating a far more cut and dried plan than I had in mind. In view of this, it is possibly desirable that I should try to make rather more clear what I was actually proposing.

I contemplated that when the facts as to the basic food and raw materials had been ascertained and the production potential of the sterling Commonwealth and Empire examined, consideration would be given to what is the most urgent and promising field in which to make a start. After a decision had been reached the procedure I visualised was as follows:

Assuming that a raw material was under consideration, probably the area of operation would be in one or more parts of the Empire. In that case the UK Government and the government (if any) of any other part of the Empire interested in the increased production of the raw material would jointly approach the government or governments of the territory where the development was contemplated, with a view to considering the action that might be taken. The government concerned would also get in touch with the industry or industries requiring the raw material, with a view to their co-operation. The interested parties would then proceed to formulate plans, possibly using the working party I have earlier suggested.

In these plans the respective parts of the Government and private industry would be defined. For example, governments or their agencies would have to assume responsibility for transport, harbour improvements, power, housing and social amenities. Private industry would have to assume responsibility for factories, machinery, equipment and actual production. The expenditure involved in the proposals would be estimated and the assistance of the Commonwealth Finance Corporation would be available to enable private enterprise to carry out the task.

The financial co-operation, if necessary, of the World Bank and other sources in the USA would be contemplated and the approach would be by the UK Government or the UK Government jointly with the other governments concerned or by the Commonwealth Finance Corporation.

From the press I understand that a meeting of representatives of Commonwealth and Empire countries is to take place in Australia early in the New Year, to consider the financial and economic position. This meeting will afford an opportunity for a new and more imaginative approach to the vital problems that face us.

It is my earnest hope that advantage will be taken of it.

In conclusion, I desire to express to my fellow directors my deep appreciation of the patience, tolerance and help they have extended to me during the past year. I have to make this statement to you annually, but I can assure you that it is with the utmost sincerity that I make it, because my task as chairman would be quite impossible without that ever-willing help my co-directors afford to me.

I also want to express my gratitude to Mr Nelson, our general manager, whose unwearying efforts and ability have been of the greatest service to the Corporation. I also extend, on behalf of myself and my colleagues, our grateful thanks to Mr Nelson's small but, I venture to suggest, increasingly competent staff for their very great efforts in the interests of the Corporation.

The report and accounts were adopted. The retiring directors, the Rt Hon Viscount Bruce of Melbourne, PC, CH, MC,

FRS, and Sir Findlater Stewart, GCB, GCIE, CSI, were re-elected; the remuneration of the auditors was duly fixed; and the proceedings terminated with a cordial vote of thanks to the chairman for his conduct of the meeting.

J. WHITTINGHAM & SONS LIMITED

ACQUISITION OF NEW SUBSIDIARIES

The twentieth annual general meeting of J. Whittingham & Sons, Limited, was held on September 23rd at Bradford, Mr L. C. Taussig (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

The net profit of the company and the wholly owned subsidiary, Albion Warehousing Co., Limited, for the year to March 31, 1953, after charging all expenses, but before taxation, amounted to £423,449. United Kingdom taxation absorbed £224,652, leaving a net surplus for the year of £198,797. These figures do not include anything from our new subsidiaries, to which I will refer in a later paragraph.

In view of the satisfactory earnings for the year, the directors, having paid an interim dividend of 8½ per cent, less tax, upon the "A" Ordinary shares in June, 1952, decided to pay a further dividend on the "A" Ordinary shares at the rate of 11½ per cent, less tax, making 20 per cent for the year, compared with the forecast of 17 per cent. The holders of the "B" Ordinary shares received the appropriate proportionate rate. After providing for the dividends I have enumerated and for transfers of £75,000 to a reserve for contingencies, and £100,000 to general reserve, there remains a balance to be carried forward on profit and loss account of £229,820.

I am particularly happy to report that in February of this year, shortly before the end of our financial year, we acquired the whole of the share capital of the old-established and well-known business of H. Haigh and Co., Limited, wool merchants and top-makers, of Bradford, with their wholly owned subsidiary, Moorlands Combing Co. (Birkenshaw), Limited, of Birkenshaw, near Bradford. The latter company owns and operates a wool-combing plant which is being advantageously employed for the benefit of both the principal businesses and also being gradually expanded. By reason of this purchase our investments have been increased by £357,000, but the profit-earning record of H. Haigh and Co., Limited, over many years is an admirable one and your directors are confident that their future earnings will provide a valuable contribution to the profits of your company. Since June 30, 1952, their profits have continued to be satisfactory. Accounts for the year to June 30, 1952, of H. Haigh and Co., Limited, and its subsidiary, Moorlands Combing Co. (Birkenshaw), Limited, show a net profit for the year of £154,485 before charging taxation.

Arrangements are approaching completion for the acquisition of two further and smaller subsidiary companies, both of which are engaged in businesses similar to our own.

The consolidated balance sheet of the J. Whittingham & Sons Group shows a sound financial position, the capital and reserves aggregating £1,658,209 as against the issued capital of £750,000. Amongst the current assets the stocks (including wool in processing) amount to £2,508,653, of which the larger part is sold against forward contracts at prices showing a reasonable profit margin.

Since the end of the financial year our turnover has been well maintained.

The report was adopted.

THE GREAT UNIVERSAL STORES LIMITED

PREVIOUS RECORDS EXCEEDED

MR ISAAC WOLFSON'S REVIEW

The thirty-fifth ordinary general meeting of The Great Universal Stores, Limited, was held on September 22nd, in London, Mr Isaac Wolfson, chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to March 31, 1953:

The year under review has again been a record one.

HOME TRADE CONDITIONS DURING YEAR

As to trading conditions during the year under review, at home, greater freedom has been given to manufacturers to produce goods of their own design and at prices which previously had been subject to certain restrictions. This has provided a greater degree of flexibility in merchandising problems and has enabled the public in general to obtain a larger variety of goods in many cases at better values than hitherto.

Merchandise prices and the flow of goods have remained at a more constant level, and we have not had to contend with the large reductions in commodity prices which were encountered during the previous year.

As against this, and despite relatively full industrial employment throughout the country, there is not the surplus spending power which has been evident in the last few years and there has been increasing competition. This is all to the good, for healthy competition is better for industry and the customer alike.

The retail turnover achieved in the United Kingdom was again a record in the history of the group, and has accordingly strengthened our buying power. This,

together with the support of our suppliers, has enabled us to give to the public even better quality and value which I am confident will in turn bring to us steadily increasing sales.

EXPANSION IN CANADA AND USA

Overseas, our Canadian subsidiaries have had a more successful year. Trading continued at a higher level, and I am pleased to state that turnover increased by no less than 22 per cent in relation to the previous year. Profits earned have also increased.

As you well know, the Group has over the past twenty years carried out a most successful policy of expansion in the United Kingdom. It is my firm opinion that a great opportunity now exists to build up a complementary and perhaps larger business in Canada and in the United States based upon our proven trading methods in this country but coupled with resident management with full knowledge of local conditions. I feel that this is of such importance that I intend to devote a larger part of my time to this project in order to ensure the degree of development which I have in mind.

I have every confidence that our trade expansion in these great countries will not only add to our profits but will also increase our exports of British-made goods. I am also pleased to tell you that I have made adequate financial arrangements to ensure that the above programme is carried through over the next few years.

In conclusion, I am pleased to state that the turnover and profit of the Group for the current year to date are in excess of the same period last year.

The report and accounts were adopted.

GROUP PROFIT, APPROPRIATIONS AND NET ASSET POSITION FOR THE YEAR ENDED MARCH 31, 1953

Group trading profit	£	11,453,461
Less: Depreciation, interest paid, interests of outside shareholders of subsidiaries, etc.		1,523,526
Group net profit—before taxation		9,929,935
Less: Taxation (including £1,546,936 excess profits levy)		6,746,550
Group net profit—after taxation		£3,183,385
Appropriated as follows:—		
Written off goodwill, etc.		29,881 (Cr.)
Transfer to reserves and increase in profit and loss account balance		2,420,651
Preference dividends, net		59,633
Ordinary dividends, net		732,982
		£3,183,385
Preference stockholders:—		
Issued capital		£2,250,000
Dividend covered by net earnings after tax		53 times
Capital covered by net assets		11.4 times
Ordinary stockholders:—		
Issued capital		£2,696,026
Rate of dividend paid on present capital		50% p.a.
Rate earned on present capital		210%
Net assets attributable to each 5s. ordinary stock unit		43s. 4d.
Group net current assets		£25,463,072
Comparative Group Trading Profits		
1949	1950	1951
£4,599,656	£5,906,133	£8,173,679
		1952
		£10,013,975
		1953
		£11,453,461

UNITED DAIRIES LIMITED

TOTAL RESERVES EXCEED £10 MILLION

A BETTER YEAR FOR MILK PRODUCTION

CONTINUED RISE IN COSTS

SUCCESS OF "VAC-PAC" FOR FOODSTUFFS

MR LEONARD MAGGS'S REVIEW

The thirty-eighth annual general meeting of the members of United Dairies Limited was held on September 18th at the Connaught Rooms, Great Queen Street, London, W.C., Mr Leonard Maggs (chairman and manager director) presiding.

The secretary (Mr Ernest Evanson, ASAA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman to the members which had been circulated with the report and accounts for the year ended March 31, 1953, and was taken as read:

Once again I am circulating my remarks with the directors' report and accounts for the benefit of those members who are unable to attend the annual general meeting on September 18th.

As the consolidated statements published give a clear and concise picture of the financial position of the whole group, I do not think the accounts call for much comment.

As mentioned in my statement last year, there was written off in the accounts for that year the balance standing in the books of subsidiary companies in respect to plant and machinery, fixtures, fittings, transport vehicles, churns, rail tanks, etc., which were acquired prior to March 31, 1945. These assets, the value of which at cost, less depreciation, was £941,050 at March 31, 1945, have been eliminated from the accounts for the year under review, although many of them are still in use in the subsidiary companies.

PROVISIONS

£1,502,268 for taxation.

This amount, which is provided in conformity with the latest Finance Act, takes into account an adjustment in respect to excess profits tax, for which the group's liability has now been agreed with the taxation authorities.

Although provision for Schedule "D" tax this year is at 9s. in the pound, against 9s. 6d. during the previous year, the present rates of taxation are still very high, and quite disproportionate to the balance of profits left for other purposes, including replacement of assets, as well as payment of dividends. I hope the day is not far distant when substantial economies in the running of the country can be effected so that there can be some material alleviation of the present burden of taxation on industry.

RESERVES

The following are the reserves of the group at March 31, 1953:

The share premium account	£5,814
Capital reserves:	
General reserve	£154,548
Profits, less losses, on realisations of:	
Properties	£184,236
Investments in subsidiary companies	£99,582
Revenue Reserves:	
General reserve	£4,000,000

Insurance fund	£100,000
Depreciation not required on properties sold	£49,411
Future income tax	£1,574,603
Profit and loss appropriation accounts	£4,095,426
	£10,263,620

These reserves are after dealing with the provision for deferred repairs in the manner set out under that heading below.

The total of the reserves at March 31, 1952, was £7,855,075.

Consequent upon agreement of the group's liability to excess profits tax the postwar refunds to the companies treated as a group for this tax have been agreed with the taxation authorities. These are in the aggregate £154,548 after deducting income tax, and this amount, as you will notice, has been included in the accounts of the group as a capital reserve.

DEFERRED REPAIRS

As I forecast in my statement last year, agreement has been reached regarding our claims in respect to deferred repairs in relation to excess profits tax. In the main all repairs to buildings, plant and machinery that had to be deferred during the period of excess profits tax have now been carried out. The cost of these repairs during the six years ended March 31, 1953, has been charged against current trading, and not against the provision made for deferred repairs. This provision, amounting to £1,132,203, is therefore no longer required, and has been written back and brought into credit in the appropriation accounts of the subsidiary companies concerned.

There has been taken to general reserve in the subsidiary companies' accounts £750,000, and the balance of £382,203 becomes an addition to the undistributed profits of the subsidiary companies.

WORKING CAPITAL

The issued capital does not represent the capital actually employed in the business. The total capital and surplus as shown in the group balance sheet is £18,598,820, of which the issued capital represents £8,335,200. More and more capital becomes necessary to run the business. Owing to higher prices greater amounts are needed now than before the war to finance stocks. The value of stocks at March 31, 1953, was £4,104,769; at March 31, 1939, it was only £999,057—and this despite the fact that in 1939 we had to finance the whole of our stocks, whereas today the Ministry of Food purchases the bulk of our manufacture of milk products almost as soon as made. It will be readily realised that increased working capital will be required to finance stocks to be marketed over a period, if and when the Ministry of Food ceases trading.

In addition, owing to inflated prices our accumulated depreciation funds, although greatly in excess of the amounts allowed for

taxation by the Inland Revenue, are insufficient to meet the cost of new equipment, and the balance has to be found from retained revenue.

These considerations influenced our decision to leave with the subsidiary companies as working capital the amount of the provision for deferred repairs not used for the purpose for which it was made.

COSTS AND PROFITS

During the year under review costs have continued to rise. After representations from the trade the Ministry of Food has increased the margins for services in connection with liquid milk to take account of such increased costs, but always there has been an inevitable time-lag, which means that the notional target margin of net profit on liquid milk which the Ministry of Food intends the trade to enjoy is never in practice achieved.

In connection with milk products that are acquired by the Ministry of Food, prices are fixed retrospectively, and the true weighted average manufacturing costs of the industry are in the main recovered, and the notional margin of profit eventually realised. This process naturally involves delay, and the latest date to which final prices have been agreed is September 30, 1951. For all manufacture subsequent to that date the prices paid by the Ministry of Food have been "on account" prices: these will be subject to adjustment when final prices can be negotiated.

MILK SUPPLIES

The year under review turned out a better year for milk production than the previous year. Although one hesitates to make prophecies, with the present trend of production and the diminishing sales of liquid milk there seems unlikely to be any serious gap between supplies and requirements of milk for liquid consumption during the lower-production months immediately ahead.

The decline in the sales of liquid milk which I mentioned last year continues, no doubt due to a combination of factors—higher consumer prices, and the greater availability of other foods. Admittedly, the price of milk has increased considerably since before the war, but not, I think, disproportionately to the increase in the prices of other basic foods. The prices payable to wholesale milk producers are about three times as great as those paid in 1938-39, while the retail price of milk is less than double what it was then. I estimate that the margin left for distribution has risen during the same period by about 25 per cent.

SEASONAL PRICES TO CONSUMERS

Since the close of the year under review the Ministry decided to revert to seasonal prices to consumers for liquid milk, and reduced the price during May and June of this year by 4d. per gallon, with increases during subsequent months. The reduction

had little or no effect on consumption, but undoubtedly the subsequent increases are arousing consumer resistance.

It will be realised that sales under the "Milk-in-Schools" Scheme and the National Milk Scheme are not affected by alterations in price. Deliveries under these schemes in England and Wales are, I estimate, about 14-15 per cent of the liquid consumption.

A SATISFACTORY MANUFACTURING YEAR

The higher production and the lower off-take of liquid milk left more for manufacture during the year under review, and of this we had a reasonable share, thus enjoying a satisfactory manufacturing year.

Since the close of that year, on account of increasing quantities of milk available for purposes other than liquid consumption, the Minister of Food permitted from April 1st the manufacture and sale of cream, including (for the first time since before the war) tinned sterilised cream—there being now no shortage of tinplate. Owing to the relatively high price that has to be paid for milk for manufacture into cream the prices at which we are having to sell cream are also necessarily high, with the result that sales of fresh cream and clotted cream are much below pre-war level. The demand for tinned cream, however, has been substantial, due, no doubt, to its absence from the market for so long, and our brand, "Diploma," is selling freely throughout the country.

ENGINEERING AND TRANSPORT COMPANIES

The U.D. Engineering Company, Limited, continues to make steady progress in supplying modern machinery for the dairy and other industries to meet the high standards demanded at home and overseas.

In this connection it is of interest to record that our central laboratory is rendering invaluable assistance to our engineers by carrying out research work on the development of new machines.

In spite of severe competition at home and abroad, I am happy to be able to report a healthy order book for our engineering company.

During the year the Dairy Supply Company, Limited, has introduced improved types of milk churns and bottle crates. These have been very well received by the trade both at home and abroad, and the demand for them, and for other equipment which this subsidiary manufactures, steadily increases.

Mickleover Transport, Limited, in addition to work for other subsidiary companies, continues to expand its business of building and mounting special bodies and equipment for vehicles of all kinds for commercial and Government undertakings.

This company has been assisting in the development of electrically propelled vehicles for milk distribution, in view of the substitution of electricity for horses in retail milk delivery.

We heard with relief of the decision to exempt vehicles of this type from purchase tax.

AN UNIQUE DEVELOPMENT

As a result of the inventive ingenuity of one of our staff, we have developed a process for vacuum-packing dry and semi-dry goods, including foodstuffs, in packages made of flexible laminated materials somewhat similar in appearance to cellophane. This process has been patented in most parts of the world, and we have licensed Messrs E. S. and A. Robinson, Limited, of Bristol, on a royalty basis to develop the project throughout the

world, which they are doing under the trade name "Vac-Pac."

It will be of interest to you to know that much of the food for the recent Mount Everest expedition, including the whole of the rations for the final assault, were specially packed in "Vac-Pac" by our subsidiary company, Wilts United Dairies, Limited. The lightness of the pack, and the sound condition in which it preserved the various foodstuffs, undoubtedly were contributory factors to the success of the expedition.

OVERSEAS INTERESTS

Australia—I am glad to be able to report that the erection and equipping of our new factory, which have taken so much longer than we first envisaged, are now in their final stages. It is expected that it will begin to operate during the next milk-manufacturing season in Australia, which, of course, is during our coming winter, and that we shall then see some return from the investment.

New Zealand—Again our subsidiary company has had a good year's trading and earned a satisfactory profit. Extensions are at present being carried out with a view to expanding production.

FAVOURABLE INDICATIONS

The year under review turned out better than expected. Every credit must be given to those who helped to achieve this result, but adventitious factors, such as the substantial increase in milk production which kept the factories busier than usual, were to a large extent responsible.

Indications of present trading results are favourable, but as we are faced with an increase in wage rates in the industry, and as other costs continue to increase, it would be unwise of me, to attempt a prediction of the results for the year ending March, 1954.

DIRECTORATE

Mr J. H. Maggs is the only remaining member of the board who was appointed on the formation of the company in 1915. Under the memorandum and Articles of Association he was not required to retire by rotation.

Mr J. H. Maggs was chairman of the company for twenty years, vacating that office in 1942, and to his firm guidance the present strength of the company is largely due. It is highly desirable that his vast experience and wise counsel be still available to the company.

APPRECIATION OF STAFF

On your behalf I should like to thank all the officers and staff throughout the group for their services during the year, and for their ever-helpful attitude during changing conditions and the difficult times, particularly during last winter's exceptionally foggy weather.

The report and accounts were unanimously adopted and the final dividend on the ordinary stock at the rate of 10 per cent actual, less tax, making 15 per cent for the year, was approved.

The chairman proposed the re-election of Mr Joseph H. Maggs as a director.

Mr G. Ivor Price, seconding the motion, referred to Mr Maggs's unique position in the industry and expressed the hope that he would continue for many years to serve the company which he had graced for so long.

The resolution was unanimously approved.

The remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Co., was fixed and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

THORN ELECTRICAL INDUSTRIES

PROGRESS OF FERGUSON TV AND ATLAS LIGHTING

The seventeenth annual meeting of Thorn Electrical Industries Limited was held on September 23rd in London.

Mr Jules Thorn (chairman and managing director) presided, and in the course of his speech said: The results show continued satisfactory progress of the Group. The trading profit amounts to £771,292, an increase of £90,123. The net profit before taxation of £547,432 exceeds the previous year's earnings by £47,428. Taxation, after deducting an adjustment of £25,000, takes £324,000, nearly 60 per cent of the net profit.

The Ferguson Radio and Television Division has had a very successful year. Its progress has exceeded our expectations, and Ferguson now enjoys a leading position in the TV market.

Further technical advances have been registered in the field of high-fidelity sound reproduction, and the Ferguson 500 Record gram has raised the prestige of your company here and abroad. Our sales of all record models reached a new record.

The Atlas Lighting Division continues to make excellent progress. Your organisation's position in the front rank of the lighting industry is now firmly established. We have been successful in obtaining, in face of fierce competition from many countries, further substantial contracts from the United States Government for supply of communications equipment to NATO Forces in Europe.

The report was adopted and a dividend of 12½ per cent approved.

SILENTBLOC LIMITED

The eighteenth annual general meeting of Silentbloc Limited was held on September 23rd in London.

In the absence, through indisposition, of the chairman, Mr H. Vezey Strong, his speech was read by Mr Frederick E. Corbin, FCA, FSAA, from which the following is an extract.

The results of the year under review reflect twelve months of difficult trading, from which, however, your companies have emerged strengthened and toughened for the competitive contest. The consolidated profit and loss account discloses that the combined net profits—after making provision for depreciation, reserves and taxation—amount to £60,051, compared with £72,582 for the previous year. The reason for this reduction does not lie in any diminution of sales, which, under the conditions prevailing, were well maintained—indeed, the volume of output was higher—but in the necessity to operate at lower profit ratios on a buyer's market. In all the circumstances, your directors consider this performance not unsatisfactory.

It is proposed to pay a final dividend of 2½d. per share, making 5d. (less tax) for the year, which is the equivalent of 7½d. per share before the bonus issue made two years ago.

As foreshadowed in my speech last year, plans have been completed for a new factory at Crawley, Sussex, where a magnificent site of eleven acres has been secured, and work already started upon Silentbloc's new home. There, your directors believe that current problems will be overcome, efficiency promoted, production costs lowered and your company firmly launched upon a new era of expansion.

The report was adopted.

DAVY AND UNITED ENGINEERING COMPANY, LIMITED

IMPORTANCE OF EXPORT ORDERS

HIGH LEVEL OF ACTIVITY

MR D. F. CAMPBELL'S STATEMENT

The eightieth annual general meeting of Davy and United Engineering Company, Limited, will be held on October 9th at the Royal Victoria Hotel, Sheffield.

The following is the statement to be made by the chairman, Mr D. F. Campbell:

I do not propose in this statement to comment on the details of the accounts. Such items as call for special attention are already referred to in the directors' report.

RETIREMENTS FROM THE BOARD

I would, however, like to refer at the outset to the retirement of Mr E. J. Fox from the Board. Mr Fox became chairman of the company in 1934 when industry generally was passing through a period of acute difficulty, and much of the credit is due to him for the company's emergence from that period. He has been associated with the company, either as chairman or director, for 22 years, and members will undoubtedly wish to express their gratitude to him.

The retirement of Mr K. C. Gardner on December 31st last was a matter of great regret to his colleagues. He has been a director for 16 years, and his wise counsel and personal interest in the development of your company have been of immeasurable value. On your behalf, I offer him also our grateful thanks for all he has done.

REASONS FOR LOWER PROFITS

This year's profits are lower than last year, but, in reviewing the company's results from year to year, I have emphasised, on several occasions, the way in which they are affected by the particular character of our business. A high proportion of our output in any normal year consists of a small number of contracts, each of considerable individual magnitude. We do not normally take credit for the profit on any contract in a year's accounts unless the work is wholly delivered by the end of that year. It follows that your company's profit in a complete year depends within quite wide limits upon the number of major contracts completed within it and, of course, upon the margins of profit earned on the contracts themselves.

In the year under review one large contract was nearly, though not quite, completed by the year end so no profit on it was taken into the year's accounts, although, in fact, most of it was earned during the year.

WORK FOR EXPORT

In my statement last year I remarked that the bulk of the work then before us was for export and that some of it had been obtained in the face of severe foreign competition. In short, some of these contracts, though desirable for several reasons, were known from the outset to be less remunerative than usual. The full effect of the less remunerative work is likely to be felt in the current year, ending March 31, 1954. This, however, should be no more than a temporary phase, as we still have a total order book of very great dimensions and more profitable work will fall due for completion thereafter.

I would remind stockholders that, prior to the beginning of 1953, no rolling mill con-

tract of any great size had been placed by the British steel industry for about 2½ years, the industry's investment programme having been devoted during that period mainly to blast furnaces, coke ovens and other plant which your company does not make.

RECENT CONTRACTS

However, I am glad to announce that we have, in the last few months, received contracts for the new cold reduction strip mills for the Ebbw Vale works of Richard Thomas and Baldwins, Limited, and also for the new Velindre works of the Steel Company of Wales, Limited, together with ancillary equipment for the Steel Company's Abbey Works at Margam. The work includes two 5-stand tandem cold strip mills, together with the necessary temper mills, and additions to one of the existing tandem mills at Ebbw Vale. This work, valued at approximately £4 million, must be the largest group of rolling mill contracts ever placed with a single company in Great Britain.

Stockholders may note that hitherto it has been considered necessary to import much of this massive strip mill machinery and may take pride in the fact that our efforts over the years to create capacity in this country for the manufacture of such plants have been crowned with this measure of success.

The sugar machinery business of your Duncan Stewart subsidiary has continued to make good progress and several interesting installations were completed during the year. Davy and United Roll Foundry at Middlesbrough have also developed their roll and steel castings business and contributed handsomely to group profits.

FUTURE PROSPECTS

Viewing the company's position as a whole, stockholders must be prepared in a business like this for some ebb and flow of profits. Taking all factors into account, your directors do not regard the past year as in any way unsatisfactory. The fundamental condition for our success is that our workshops should be kept operating at a high level of activity. Over the next two or three years this seems reasonably assured, but on the longer view it is clear that we must look increasingly to exports for our livelihood. Export orders are not necessarily less remunerative than home orders, but the hazards are greater and they are often subject to international influences over which we have no control. Increasingly, for instance, the need for long-term credit arises, so that skill in contracting and collaboration with the Government in national trade policy continues to grow in importance.

If it is true that the big postwar surge of demand for rolling mill equipment is now approaching its end, it is equally true that several of the big plants constructed in Europe in the last few years were a part of the Marshall Aid scheme. As this form of aid has now ceased and seems unlikely to be renewed, further development in the metallurgical industries will presumably be open to us on normal competitive conditions. Although some of our potential markets have been satisfied by the generosity of the

American taxpayer, the modern machinery provided has raised the standard of quality of flat rolled steel so much that many of the older mills have become obsolete. Thereby, the market for our products may be further stimulated.

MAINTENANCE OF COMPETITIVE EFFICIENCY

But as engineers and founders, the maintenance of competitive efficiency in the technical sense must always be at the root of our continued success. The constant process of design improvement, the systematic replacement of obsolete plant and the intensive study of methods of utilisation of assets are the key to the future of your company and, indeed, to the future of British industry as a whole. I can assure stockholders that their engineering plants are in a high state of modernity and efficiency and that the company is staffed and manned by a fine body of men and women devoted to its interests.

The difficulties of export trade, such as financial and exchange problems and lengthy and complex technical discussions with foreign engineers, have placed a heavy burden on your managing director and his associates in your various works and offices. To all at Sheffield, Glasgow and Middlesbrough I would, on behalf of the stockholders, express thanks and appreciation.

HACKBRIDGE CABLE HOLDINGS LIMITED

EXCELLENT RESULTS

CONSISTENT DIVIDEND RECORD

The fifth annual general meeting of Hackbridge Cable Holdings Limited was held, on September 23rd, at 55-56 Pall Mall, London, S.W., Mr Claude I. Steen (the chairman) presiding.

The following is the chairman's statement which was circulated with the annual report and accounts for the year ended March 31, 1953, and was taken as read:

The accounts now before you disclose, as I am sure you will agree, very satisfactory trading results; in fact, they constitute a record for the group.

CONSOLIDATED TRADING RESULTS

The net profit of the trading subsidiaries before charging depreciation was £453,544, compared with £214,374—an increase of £239,170.

The charge for depreciation is £50,190 and the provision for taxation is £246,047. After providing for these items the net profit is £157,307.

DIVIDEND AND RESERVES

The amount available for dividend and reserves shows a net increase of some £70,000 over the corresponding figure in last year's accounts. Consequently, your directors, after careful study of the group's requirements, have decided to recommend that the final dividend for the year under review be 12½ per cent, less tax, which, with the interim dividend of 7½ per cent, less tax, paid in January, makes a total of 20 per cent for the year—the rate paid consistently each year since the incorporation of the company. After charging this dividend, the revenue reserves in the hands of the group, quite apart from the provisions for future taxation, have now reached the satisfactory figure of £230,000, an increase during the year of approximately £100,000.

OUTLOOK FOR THE FUTURE

As many important buyers are, for the present, restricting their purchases to a minimum, we do not expect in the current year to reach the figures for 1952-53, but, as the demand for our products must expand, your directors look forward to the future with confidence and enthusiasm.

STAFF CO-OPERATION

Needless to say, the loyalty and co-operation of all employees has played an important part in bringing about the gratifying results which are now before you. I am sure you would again like me to express on your behalf, as well as on behalf of my colleagues on the board and myself, our sincere appreciation of their efforts.

The report and accounts were unanimously adopted and the final dividend of 12½ per cent, less income tax, making 20 per cent, less income tax, for the year, was approved.

The retiring director, Mr. Ernest William Farr, was re-elected, and the other formal business having been duly transacted, the proceedings terminated with a hearty thanks to the chairman.

A. C. COSSOR

PROPOSED CAPITAL INCREASE

The fifteenth annual general meeting of A. C. Cossor, Limited, was held on September 23rd in London, the Rt. Hon. Lord Burghley, KCMG, LL.D., the chairman, presiding.

The following is an extract from his circulated statement:

The background of the year's operations was a further large increase in the turnover of the Group, from some £5½ million to nearly £7½ million (including some £1½ million of exports). This increase in turnover was not, however, accompanied by a corresponding increase in profit. Government contracts, largely in connection with the rearmament programme, accounted for a considerable part of the increase. Our sales of television receivers were marked by increasing success.

The net Group profit on trading was lower at £294,132 than the previous year's figure of £352,768. No less a sum than £205,200 has had to be provided for income tax, profits tax and excess profits levy.

Prospects for the current year appear reasonably good, and we shall be disappointed if we do not do at least as well as last year.

I now come to the proposal to increase the ordinary share capital. That your business is in need of further capital is, I think, self-evident. The object of asking you to create a further 2½ million ordinary shares of 5s. each is to enable your directors to issue further shares as and when a favourable occasion may present itself.

The report was adopted and the dividend of 10 per cent approved.

The proposed increase of the company's capital to £1,750,000 by the creation of a further 2,500,000 ordinary shares of 5s. each was approved.

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.

ASPRO LIMITED

HOME SALES TURNOVER AN ALL-TIME RECORD

The eighteenth annual general meeting of Aspro Limited was held on September 21st at 16 Berkeley Street, London, W., Mr Maurice A. Nicholas, the chairman, presiding.

The following is an extract from his circulated statement:

You will, I am sure, be gratified to observe that this year's group trading profit has shown an appreciable increase on last year's and after providing for directors' remuneration and depreciation it rose from £585,321 to £701,245.

The amount available in the parent company for distribution this year is £175,158, to which is added £41,159 carried forward from last year, totalling £216,317. We have already paid £14,610 for Preference dividend and £39,375 for the interim Ordinary dividend, and your directors now propose to allocate £41,861 to general reserve and £10,000 to the staff contingencies reserve, both of Aspro Limited, and to recommend a final dividend of 20 per cent less income tax in the Ordinary stock, amounting to £55,000. The balance of profit and loss account carried forward will be £55,471, as against £41,159 last year.

Following the acquisition of the minority interest in our South African subsidiary, Nicholas (South Africa) (Proprietary), Limited, to which I referred in my statement to the stockholders last year, this company went into voluntary liquidation. This winding-up has resulted in the conversion of what had been undistributed profits of the group to the extent of £295,377 into a capital profit.

GROUP'S FINANCIAL POSITION

A concentrated view of the group's financial position as a whole, condensed from the consolidated balance sheet, is as follows:

NET ASSETS

Current assets.....	£ 2,057,435
Less: Current liabilities.....	1,018,441
Not current assets.....	1,018,952
Property and plant.....	679,077
Trade marks, patents, and goodwill.....	1,045,393
	£2,743,422
Represented by:	
Preference capital.....	500,000
Ordinary capital.....	500,000
Total capital reserves.....	1,000,000
Total revenue reserves.....	555,360
Total deferred liabilities.....	1,995,995
Minority shareholders' interest in subsidiary companies.....	42,693
	53,374
	£2,743,422

Stockholders will also be pleased to note the steady improvement in the net asset value of the group.

Our cash position has improved appreciably and this is mainly due to increased group sales and the resultant increased profits, together with a reduction of inventory levels. In my report last year I stated we were watching our stocks and these have been reduced as we consider the need for maintaining high inventories has passed.

It gives me great pleasure to report that our home sales turnover in the year under review reached an all-time record, reflecting the faith of the British public in "Aspro."

The report and accounts were adopted.

THE ECONOMIST, SEPTEMBER 26,

E. W. TARRY AND COMPANY, LIMITED

SATISFACTORY RESULTS

The annual meeting of E. W. Tarry & Company, Limited, was held on September 23rd in London.

Sir Harold Fortescue Flannery, Bart., chairman, who presided, said: I have doubt you will have been gratified to find that the turnover for the whole year was slightly down on the total for 1951-52, which was the largest in the company's history, a satisfactory achievement which must be regarded as control of most imports into the Union of South Africa. As far as the outlook for the current year is concerned, it is difficult to forecast what the results will be, for we are now in a period of keen competitive trading and there may be a tendency for sales to fall.

The trading profit is £138,692 compared with £198,560 a year ago. The net profit of the year is £41,719 as against £64,886 a year ago, a result which can be considered satisfactory, I think, having regard to the circumstances under which it was achieved.

The current assets stand at £1,044,800 compared with £1,250,556 a year ago, and current liabilities have declined from £477,200 to £235,414.

The increased ordinary share capital ranks for the full year's dividend, and the board have pleasure in recommending payment of a dividend of 15 per cent, and, better return than the 20 per cent paid last year on the smaller capital.

The report was adopted.

GEO. BASSETT & COMPANY, LIMITED

FAVOURABLE PORTENTS

The twenty-seventh annual general meeting of Geo. Bassett & Company, Limited, was held on September 24th in London, Mr E. M. Mott, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year ended March 31, 1953:

Our trading profit was practically the same as for the previous year and we recommend the same final dividend of 17½ per cent making 22½ per cent for the year.

The outstanding event of the year was the abolition of confectionery rationing and production last February. The main effect was to intensify the sellers' market. So long as demand was restricted to 6 oz per week consumers were selective, and some firms were beginning to find it a little difficult to sell all they could make. In the case of our company, however, demand was far in excess of our ability to supply even before derating our sales.

Our prosperity depends not only on the overall demand for confectionery but also on the share of the demand which we enjoy. Although we are now producing a substantially higher tonnage of our leading speciality, Liquorice Allsorts, than before the war, the line, that even this increased output is quite insufficient to meet the demand.

The report and accounts were adopted.

762